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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED
ORIGINAL

Transfers Of Excess And Surplus Federal Personal Property--Impact Of Public Law 94-519

As a result of Public Law 94-519 there has been a decrease in the amount of Government excess personal property--unneeded by the Federal agency possessing it--transferred to grantees and other non-Federal organizations and a greater proportion of this property is now being used within the Federal Government. More surplus property--unnneeded by the entire Federal Government--is now transferred through the Donation Program to a much wider range of eligible non-Federal recipients.

The amount of excess personal property transferred to non-Federal organizations is still substantial. GAO makes several recommendations to ensure that the transferred property is managed and used as required by the implementing regulations. GAO recommends that GSA improve its procedures for allocating property among the States and take various actions to ensure that State Agencies for Surplus Property, which distribute the property to eligible donees, improve their management of the Donation Program.

In addition, GAO recommends that the Congress clarify the amount of care and handling costs that Federal agencies should recover for surplus property made available through the Donation Program.

UNITED STATES GENERAL ACCOUNTING OFFICE

LCD-80-101
SEPTEMBER 30, 1980

200

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-198682

To the President of the Senate and the
Speaker of the House of Representatives

This report discusses the impact and implementation of Public Law 94-519, which became effective in October 1977. The Law significantly altered the Government's policies and procedures on the transfer of excess and surplus Federal personal property to non-Federal organizations.

We initiated this review as the first of a series of biennial efforts required by section 10 of Public Law 94-519 (40 U.S.C. 493). Our next report is to be issued in 1982.

We are sending copies of this report to the Director, Office of Management and Budget, and the heads of all Federal agencies and State Agencies for Surplus Property involved in our review.

Elmer B. Staats
Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

TRANSFERS OF EXCESS AND SURPLUS FEDERAL PERSONAL PROPERTY--IMPACT OF PUBLIC LAW 94-519

DIGEST

Public Law 94-519, implemented in 1977, significantly changed various Government policies and procedures on the transfer of excess and surplus Federal personal property to non-Federal organizations.

The Law had various objectives, including

--restricting the transfer of excess property that might be needed within the Federal Government to non-Federal organizations and

--encouraging the fair and equitable donation of surplus property to meet the needs of a wide range of eligible non-Federal organizations.

HAVE THE OBJECTIVES INTENDED BY THE CONGRESS IN ENACTING PUBLIC LAW 94-519 BEEN ACHIEVED?

As intended by the Congress, much less excess property is now being transferred to non-Federal organizations and a greater portion is being transferred to Federal agencies for their use. Also, another major objective of the Law has been achieved by the greater flow of surplus property to eligible donees. (See chs. 2 and 3.)

HAVE THE NEEDS OF NON-FEDERAL ORGANIZATIONS SERVED BY PRIOR FEDERAL DISTRIBUTION PROGRAMS BEEN ADEQUATELY MET?

It is not possible to generalize about the impact of the Law on all non-Federal organizations which formerly received and used excess property to satisfy various program needs. Except for the strong complaints

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expressed by grantees of a few Federal agencies and organizations which had received excess property under an economic development program, which was terminated by the Law, knowledgeable Federal officials were aware of no serious adverse effects caused by the Law. (See p. 10.)

HAS THE DISTRIBUTION OF SURPLUS PROPERTY MET THE RELATIVE NEEDS OF RECIPIENT ORGANIZATIONS?

The General Services Administration (GSA) and the responsible State agencies appear to be reasonably effective in their efforts to distribute property fairly and equitably. However, GAO found some problems which will require continued management attention. (See p. 42.)

ARE THERE SERIOUS MANAGEMENT WEAKNESSES IN THE GOVERNMENT'S IMPLEMENTATION OF THE LAW?

Generally, the Law is being carried out effectively. However, the amount of excess property being transferred to non-Federal organizations is still substantial and improvements are needed to ensure that the property is managed and used as required by implementing regulations. For example, GAO found instances where:

--The National Science Foundation (NSF) was transferring to some grantees property costing more than the value of their grants without appropriate approval.

--GSA was approving transfers to NSF grantees of common-use property without requiring that the Treasury be reimbursed 25 percent of the property's acquisition cost as called for in the Law.

--GSA and NSF were approving transfers of property to grantees whose grants were about to expire.

- --Some Federal grantor agencies did not have effective surveillance procedures to ensure that grantees were properly using excess property.

GAO also found areas where the management of the surplus property Donation Program could be improved. For example, GAO found instances of:

- --Failure of States to submit permanent, legislatively developed Donation Program plans of operation, as required by the Law.
- --Inconsistent and possibly excessive service charges assessed by State agencies.
- --Inadequate inventory control procedures at the State level.
- --Nonuse or improper use of property by donees.
- --Insufficient audit and review of the Donation Program. (See chs. 2 and 3.)

HOW HAS PUBLIC LAW 94-519 AFFECTED OVERSEAS EXCESS PROPERTY PROGRAMS?

The impact of GSA's implementation of the Law on Agency for International Development (AID)-financed and voluntary relief agency programs is difficult to determine accurately. Other factors, not directly related to the Law, have also affected these programs. For example, the Law's provision concerning return of excess property located overseas may restrict AID's access to property in Europe. Also, the Law reduced AID's ability to obtain domestic excess property for its grant-funded programs, including those carried out by voluntary organizations. However, use of excess property for AID-financed programs had already declined significantly. For programs funded by the voluntary organizations, only the expected decline in availability of excess European property can be attributed to GSA's implementation of Public Law 94-519. The Law did not change the priorities of these agencies regarding domestic or other foreign excesses. (See ch. 4.)

WHAT ARE THE FEDERAL AGENCIES' PRACTICES FOR RECOVERING CARE AND HANDLING COSTS FOR SURPLUS PROPERTY DONATED TO NON-FEDERAL AGENCIES?

Since 1949 Federal agencies have been authorized to recover their care and handling costs for donated surplus property, but, as discussed in chapter 5, they have followed the policy of collecting only extraordinary costs. Recent congressional action will require the Department of Defense (DOD) to recover greater costs for its surplus property. Chapter 5 discusses DOD's actions to identify the costs to be collected through a surcharge on its property and alternative ways to allocate these costs to the Donation Program. Chapter 5 also presents the results of GAO's questionnaire survey to determine donee organizations' views on the impact of DOD's actions on the Donation Program. On the basis of this survey, GAO believes that (1) imposition of a care and handling surcharge will result in reduced donee participation in the program and (2) the reduction in participation will be significant if the surcharge exceeds 1 percent of the property's original cost.

RECOMMENDATIONS

GAO recommends that the Administrator of General Services and the heads of all Federal agencies, which transfer excess property to their grantees, take various actions to correct the deficiencies noted during GAO's review.

GAO also recommends that the Congress clarify what costs relating to donated property it wants recovered so that the costs will be handled consistently for DOD and civil agency property.

AGENCY COMMENTS

Generally, Federal and State agencies included in the review agreed with GAO's findings and recommendations and indicated corrective actions they would take. These comments, together with GAO's evaluation, are summarized at the end of each chapter of the report. The complete texts of the comments are included as appendixes.

ACRONYMS

AID	Agency for International Development
DLA	Defense Logistics Agency
DOD	Department of Defense
DPDO	Defense Property Disposal Office
EDA	Economic Development Administration
FEMA	Federal Emergency Management Agency
FPMR	Federal Property Management Regulations
FSG	Federal Supply Group
GAO	General Accounting Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
LEAA	Law Enforcement Assistance Administration
NSF	National Science Foundation
OMB	Office of Management and Budget
SASP	State Agency for Surplus Property
WSSPO	Western State Surplus Property Organization

CHAPTER 1

INTRODUCTION

Public Law 94-519, enacted on October 17, 1976, and implemented 1 year later, amended portions of the Federal Property and Administrative Services Act of 1949, resulting in significant changes in the Government's policies and procedures regarding the transfer of Federal excess [1] and surplus [2] personal property [3] to non-Federal organizations. The Law had various objectives, including

--restricting the transfer of excess property that might be needed within the Federal Government to non-Federal organizations and

--encouraging the fair and equitable donation of surplus property to meet the needs of a wide range of eligible non-Federal organizations.

A discussion of the provisions and intent of the Public Law is contained in appendix I.

One provision of the Law requires us to submit to the Congress biennial reports covering

--a full and independent evaluation of the operation of the Law,

--the extent to which the objectives of the Law have been fulfilled,

--how the needs of non-Federal organizations served by prior Federal personal property distribution programs have been met,

---

[1] Property determined to be unneeded by the Federal agency having possession of it; however, it may be needed by one or more other Federal agencies.

[2] Property determined to be unneeded by the entire Federal Government.

[3] Personal property means property of any kind, except real property, records, and certain naval vessels.

- --an assessment of the degree to which the distribution of surplus property has met the relative needs of the various public agencies and other eligible institutions, and

- --such recommendations as the Comptroller General determines to be necessary or desirable.

In addition to this general reporting requirement, two separate congressional committees asked us to investigate more specific matters concerning transfer of excess or surplus Federal property to non-Federal organizations. In a June 22, 1979, letter, (see app. III), the Chairmen and Ranking Minority Members of the Senate Committee on Foreign Relations and the Subcommittee on Civil Service and General Services, Senate Committee on Governmental Affairs, emphasized the need for us to include in this report information on the experience of the Agency for International Development (AID) and private voluntary overseas relief organizations resulting from Public Law 94-519. Also, in an October 11, 1979, letter, (see app. IV), the Chairmen of the House Committee on Government Operations and its Subcommittee on Government Activities and Transportation requested that we include a discussion of care and handling costs for surplus property donated to non-Federal organizations.

The matters enumerated by Public Law 94-519 to be covered in our report are interrelated, and therefore, do not lend themselves to separate discussion without disconcerting repetition. Therefore, we have attempted to devise a report format that will satisfy all of the reporting requirements placed on us by the Law and subsequent congressional requests mentioned above, and yet avoid repeating subjects which concern more than one of these reporting requirements.

Chapter 2 of the report discusses the impact of the Public Law on past and present programs involving the transfer by Federal agencies of excess personal property to non-Federal organizations. Chapter 3 summarizes our findings on the Law's impact on the Federal surplus personal property Donation Program. Chapter 4 addresses the impact of the Law on AID and voluntary relief organizations. Chapter 5 deals with Federal care and handling costs for donated surplus property. Our conclusions and/or recommendations are contained in chapters 2 through 5.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review included work at the central office and four regional offices of the General Services Administration (GSA), the headquarters and selected field offices of 21 executive branch agencies which were or are involved in transferring excess property to non-Federal organizations holding Federal grants or surplus property to State Agencies for Surplus Property (SASPs). We also performed work at 11 Defense Property Disposal Offices (DPDOs), from which much of the excess and surplus Federal personal property transferred to non-Federal organizations is obtained. We contacted officials of seven Regional Action Planning Commissions which had administered the transfer of excess property under the former section 514 program. 1/ In addition, we reviewed selected operations of 10 SASPs, through which Federal surplus property is donated to eligible recipients. We examined the use made of excess and surplus Federal property received by numerous donee, grantee, and former section 514 recipient organizations and held discussions with officials of these organizations. A more detailed listing of the organizations included in our review is shown in appendix XXIII.

Generally, we reviewed and evaluated the methods and techniques GSA used in implementing and administering the Law. This included an analysis of the Federal Property Management Regulations promulgated under the Law. At the other Federal agencies and Regional Action Planning Commissions, we attempted to (1) measure the impact of the Law on their past or present programs to transfer excess property to grantees or other non-Federal organizations and (2) evaluate their compliance with certain requirements stemming from the Law. At selected Federal agencies, we discussed the feasibility of their levying a surcharge to collect care and handling costs for donated surplus property.

Our work at the SASPs included evaluating selected aspects of their compliance with the Law's implementing regulations and adequacy of their management of the Donation Program within their States. At the donee and other property recipient locations, we inquired into the propriety of the use made of the Federal property received. In addition, we used a questionnaire to query more than 500 donees on the possible impact a Federal surcharge would have on their surplus property acquisitions.

1/This program, authorized by section 514 of the Public Works and Economic Development Act Amendments of 1974, is described in more detail on p. 97.

Our audit work performed on the impact of Public Law 94-519 on the AID and overseas private voluntary relief agencies was part of an overall GAO review of the AID excess property program. That review involved work at AID headquarters and its excess property central office at New Cumberland, Pennsylvania, as well as contacts with AID missions in 13 foreign countries and 14 private voluntary relief agencies.

Because of the numbers of organizations involved and the amounts of property transferred to donees and other non-Federal organizations, we were not able to perform detailed, indepth analyses at all the activities we visited. In addition, because each SASP is relatively autonomous, our findings at the 10 such agencies we visited may not be typical of all SASPs.

CHAPTER 2

GOVERNMENT EXCESS PROPERTY TRANSFER

PROGRAMS UNDER PUBLIC LAW 94-519

Public Law 94-519 generally has had the effect intended by the Congress on the various Government programs under which Federal excess personal property was being transferred to Federal and non-Federal organizations. Now, much less excess property is flowing to non-Federal organizations and a greater proportion of such property is being transferred for use within the Federal Government. The bulk of this decrease in excess property being transferred to non-Federal organizations resulted from the termination of the section 514 program. In addition, several Federal agencies have also terminated their programs for the transfer of excess property to their grantees.

However, various aspects of the Law's implementation regarding excess property transfers need management attention. These, along with a discussion of the overall impact of the Law on domestic excess property transfer programs, are included in the following sections.

IMPACT OF PUBLIC LAW 94-519 ON AMOUNTS OF EXCESS PROPERTY TRANSFERRED AMONG FEDERAL AGENCIES

Before enacting Public Law 94-519, the Congress had expressed concern that Federal agencies were transferring significant amounts of excess personal property to non-Federal organizations when much of this property might have been needed by other Federal agencies for their own use. In addition, much of this property was not being used properly by the non-Federal organizations.

To alleviate this situation, the Law imposed various restrictions on such transfers. First, it repealed section 514 of the Public Works and Economic Development Act of 1965 (the section 514 program), under which large amounts of excess property were being transferred to non-Federal organizations for economic development purposes. Second, the Law imposed various restrictions on the transfer of excess property to non-Federal organization holding grants from Federal agencies.

One of the more significant restrictions the Law imposed on transfers to grantees was the requirement that Federal agencies pay to the Treasury 25 percent of the acquisition cost of excess property transferred to their eligible grantees. However, there were four exemptions to this requirement. One involved grants to foreign countries, which is discussed in chapter 4. The other three allowed transfers of excess property without payment of the 25 percent if it was furnished

--under section 11(e) of the National Science Foundation Act of 1950 and was scientific equipment;

--under section 203 of the Department of Agriculture Organic Act of 1944 for the Cooperative Forest Fire Control Program and title to the property was retained by the Government; or

--to Indian tribes, as defined in section 3(c) of the Indian Financing Act, holding Federal grants.

The table below shows that by fiscal year 1977, of the total excess property transferred, the percentage acquired by Federal agencies for their own use had declined to 65.8 percent. In fiscal years 1978 and 1979, since the Law's implementation, the total amount of property acquired by Federal agencies had not increased, but the percentage had grown to 88.9 and 93.0 percent, respectively, because much less property had been transferred to non-Federal organizations.

	Excess Property Transferred							
	FY 1976		FY 1977		FY 1978		FY 1979	
	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent
Excess property transferred to:								
Federal agencies for their own use	$ 881.0	78.4	$714.8	65.8	$778.6	88.9	$735.6	93.0
Non-Federal organizations (grantees (note a) and section 514 recipients)	243.1	21.6	370.8	34.2	97.3	11.1	52.2	7.0
Total	$1,124.1	100.0	$1,085.6	100.0	$875.9	100.0	$787.8	100.0

a/Including recipients of property under the Cooperative Forest Fire Control Program. These organizations are technically not grantees, but are included in Public Law 94-519 as exemptions to the general conditions on transfers of excess property to Federal grantees.

IMPACT OF PUBLIC LAW 94-519 ON AMOUNTS OF EXCESS PROPERTY TRANSFERRED TO NON-FEDERAL ORGANIZATIONS

Before the Law's implementation, the volume of excess personal property being transferred to non-Federal organizations, as grantees of Federal agencies or as eligible recipients under the section 514 program, had grown substantially. As discussed previously, Public Law 94-519 terminated the section 514 program and imposed various restrictions on the transfer of excess Federal property to grantees. The impact of these restrictions is shown in the following table.

Type of recipient	Personal property transferred to non-Federal organizations FY 1975	FY 1976	FY 1977	FY 1978	FY 1979
	----------------	----------------	(millions)	----------------	----------------
Grantees	(a)	$111.7	$ 97.0	b/$69.0	c/$52.2
Section 514	$13.6	131.4	273.8	28.3	-
Total	(a)	$243.1	$370.8	$97.3	$52.2

a/Data not available from GSA.

b/Data not available from GSA. This figure is a partial total comprised of amounts provided by Federal agencies included in our review.

c/Data from GSA's computerized system was incomplete. This figure was computed from manual records.

The following table shows the Law's impact on the amount of excess property selected Federal agencies transferred to domestic grantees during fiscal years 1976 through 1979.

Federal agency	Excess property transferred to grantees FY 1976	FY 1977	FY 1978	FY 1979
	-------------(000 omitted)--------------			
National Science Foundation	$ 73,336	$42,916	$31,826	$35,797
National Aeronautics and Space Administration	1,101	477	-	-
Department of the Interior	336	2,089	272	525
Community Services Administration	-	5,041	-	53
Environmental Protection Agency	-	-	1,250	135
ACTION	11	24	-	-
Department of Commerce	2,410	8,750	1,489	730
Department of Labor	7,111	10,084	211	145
Law Enforcement Assistance Administration	3,908	3,380	196	418
Department of Agriculture (note a)	13,308	19,203	33,755	14,312
Defense Civil Preparedness Agency (note b)	1,136	910	-	-
Army	49	117	-	-
Navy	338	71	-	-
Air Force	69	47	-	-
Total	$103,113	$93,109	$68,999	$52,115

a/Including recipients of property under the Cooperative Forest Fire Control Program. These organizations are technically not grantees, but are included in Public Law 94-519 as exemptions to the general conditions on transfers of excess property to Federal grantees.

b/Became part of the Federal Emergency Management Agency in 1979.

With the exception of property transferred to grantees of the Employment and Training Administration, Department of Labor, and the Law Enforcement Assistance Administration (LEAA), Department of Justice, most of the property transferred in fiscal years 1978 and 1979 was transferred without payment of 25 percent of the property's cost. This is shown below.

Federal agency	Fiscal years 1978 and 1979 excess transfers to grantees: Requiring 25-percent payment	Exempt from 25-percent payment	Total
	-----------(000 omitted)-----------		
National Science Foundation	$ -	$ 67,623	$ 67,623
Department of the Interior	-	797	797
Community Services Administration	21	32	53
Environmental Protection Agency	-	1,385	1,385
Department of Commerce	-	2,219	2,219
Department of Labor	356	-	356
Law Enforcement Assistance Administration	515	99	614
Department of Agriculture	4	a/ 48,063	48,067
Total	$896	$120,218	$121,114

a/Including recipients of property under the Cooperative Forest Fire Control Program. These organizations are technically not grantees, but are included in Public Law 94-519 as exemptions to the general conditions on transfers of excess property to Federal grantees.

QUALITATIVE IMPACT ON PROGRAMS OF NON-FEDERAL ORGANIZATIONS

It is not possible to generalize about the impact of the Law on all non-Federal organizations which formerly received and used excess property. The impact undoubtedly varied depending on such matters as the degree to which these programs were dependent on Federal property, the amount and quality of excess property received before and after the Law was implemented, and the degree to which the organizations have been able to obtain and use surplus property through the Donation Program after the Law.

We could not objectively determine how much the thousands of organizations receiving excess property before the Law actually were dependent on the property in carrying out their programs. The amount of property received, by itself, is not a true gauge unless considered in light of total program costs and alternate resources available to the organizations. Also, many of the former recipients had been criticized for not using or improperly using excess property they had received.

In addition, we could not compare for individual organizations the amount, type, value, and usage made of excess property received before the Law with similar data on donated surplus property received after the Law. The number of recipients and amounts of property involved are just too massive, and information which could be used to make such a comparison would be available only from the thousands of individual recipients.

Therefore, to judge the qualitative impact of the Law on former recipients of excess property, we depended primarily on discussions with officials who were able to offer opinions or perceptions. These perceptions and other pertinent information are discussed below.

Employment and Training Administration, Department of Labor

Employment and Training Administration Headquarters officials indicated that the Law had affected their grantees' programs and the imposition of the 25-percent fee had significantly decreased the amount of excess property the grantees acquired. However, during our visit to the Department of Labor regional office in Denver, Colorado, an official told us that much of the excess property obtained by grantees in the region before the Law had not been properly used and had not been essential for the purposes of the grants. He said he knew of no instances where a grant had suffered as a result of the Law.

Law Enforcement Assistance Administration, Department of Justice

LEAA officials pointed out that very few grantees were acquiring excess property under the requirement that 25 percent of the acquisition cost be paid to the Treasury and that the total amount of such property acquired by grantees had fallen significantly. However, they were not able to state how severely the Law had affected individual grantees.

National Science Foundation

NSF officials did not believe that the Law had severely affected their grantees, even though the total amount of excess property the grantees received had decreased significantly. They attributed this to the Law's exemption allowing the grantees to continue to receive highly desirable scientific equipment without paying the 25 percent.

National Aeronautics and Space Administration

Since the Law's implementation, the National Aeronautics and Space Administration had transferred no excess property to its grantees, primarily because of the 25-percent payment requirement. Agency officials did not have evidence that the failure to provide excess property had severely hurt grantees' performance. However, they noted that performance probably had been adversely affected because the Law had curtailed the transfer of property which would enhance performance.

Economic Development Administration, Department of Commerce

Since the Law's implementation, the Economic Development Administration had transferred no excess property to its grantees, with the exception of Indian tribes to which transfers are exempt from the 25-percent payment requirement. Agency officials indicated that its grantees, including vocational schools, volunteer fire departments, hospitals, and county and city governments, had complained that economic development had been hurt by their no longer being able to receive excess property at no cost.

The Agency had received various allegations from its grantees concerning the surplus Donation Program for which the grantees had become eligible under the Law. These grantees had alleged that

--SASPs were not responsive to their needs,

--SASPs collected unreasonably high service charges for surplus property, and

--not enough property was available through the Donation Program.

Fish and Wildlife Service, Department of the Interior

The Fish and Wildlife Service had ended its program for transferring excess property to grantees, such as State fish and wildlife and natural resources departments, because of the 25-percent payment requirement which, officials said, the Agency could not afford. Interior officials told us that terminating the excess property program had caused States to discontinue some fish and wildlife projects. Specifically, they said that Indiana had reduced its development of wildlife habitats and waterfowl marshes, and that Ohio, while able to continue its current projects with equipment already received, could not begin some new projects because it lacked equipment. Interior officials believe that no worthwhile surplus property is available through the SASPs.

Bureau of Indian Affairs, Department of the Interior

Even though excess property provided to federally recognized Indian tribes is exempt from the 25-percent payment requirement, the amount of such property transferred by the Bureau of Indian Affairs has declined since implementation of the Law. Bureau officials attribute this decline to the fact that they are required to retain title to the property, and therefore, must maintain inventory records to account for the property. Because Bureau officials have limited funding to administer their excess property program, they are transferring less property to Indian tribes than was the case before the Law. The officials believe that this property decline has been detrimental to Indian grantees.

Cooperative Extension Service, Department of Agriculture

Agency officials told us that, although State and county agricultural extension services were not grantees, they had received substantial amounts of excess property through the Cooperative Extension Service before implementation of the Law. After enactment of the Law, GSA determined that these services were not eligible to receive excess personal property from the Federal Government. Therefore, according to these officials, the Law killed the excess property program for the State and county extension services. Legislation has been introduced, but not passed, in the 95th and 96th Congresses to enable the State and county services to receive Federal excess property with no payment required.

Forest Service, Department of Agriculture

Agency officials stated that the Law has resulted in a substantial increase in the amount of excess property transferred to State forestry organizations under the Cooperative Forest Fire Control Program. These transfers were exempted from the 25-percent payment requirement, which has, from a practical standpoint, eliminated most non-Federal organizations from competing for the property, according to these officials.

Department of the Army

Army officials told us they discontinued transferring excess property to their research grantees after the Law was implemented because they believed that the 25-percent payment requirement was unreasonable. Then, in February 1979, as a result of Public Law 95-224, the Army adopted the practice of acquiring such research through contracts, rather than grants. Now, the Army can loan property to the contract research organizations without having to pay the 25 percent. For this reason and because the Army had transferred only small amounts of excess property to its grantees, the Law did not seriously affect the Army, according to these officials.

Department of the Navy

According to Navy officials, the Law did not seriously affect the Navy because it had not transferred large amounts of excess property to its grantees for many years.

Department of the Air Force

Air Force officials stated that, like the Navy, the Law had no severe impact on the Air Force because it had not transferred large amounts of excess property to its grantees for about 10 years.

Defense Civil Preparedness Agency

Before the Law's implementation, the Defense Civil Preparedness Agency, which was part of the Department of Defense (DOD), provided excess property to State and local civil defense organizations under its Contributions Project Loan Program. However, only about 10 percent of the total property provided under this program was excess property; the remainder was DOD property which had not been declared excess. After the Law's implementation, the Agency stopped providing excess property because it was unwilling to pay the 25 percent.

While the impact of Public Law 94-519 on the Contributions Project Loan Program was not significant, the Agency's becoming part of the newly created Federal Emergency Management Agency (FEMA) as of July 15, 1979, severely affected the program. Because the new Agency was not part of DOD, it could no longer transfer DOD property free of charge. Since the reorganization, State and local civil defense organizations have been dependent on the Donation Program for their Federal property.

FEMA officials informed us that they have received numerous allegations from State and local civil preparedness directors that the Donation Program is not serving their needs. These directors have alleged that

--not enough usable property is available through the program,

--SASPs are not responsive to their needs,

--SASPs are asking unreasonably high service charges,

--property is not distributed equitably among States and within some States among recipients, and

--quality or quantity of surplus property has not increased since the Law became effective.

ACTION

ACTION officials told us that they have had a general policy of not providing equipment or supplies to grantees; therefore, very little excess property was furnished before the Law and its impact on ACTION's grantees was not significant.

Environmental Protection Agency

Environmental Protection Agency officials told us that, excluding one recipient--an Indian tribe--they had not transferred excess property to grantees for about 7 years. Under the specific exemption in the Law, the Agency is still able to transfer excess property to the tribe without paying the 25 percent. Therefore, Agency officials said the Law did did not significantly affect their grantees.

Community Services Administration

Community Services Administration officials told us they had transferred almost no excess property to grantees since the Law was implemented because they did not have sufficient appropriated funds to pay the 25 percent. In addition, their grantees generally were unwilling to use their grant funds for this purpose because they did not believe the general condition of excess property warranted that much payment. We were told that most Agency grantees, those which are community action agencies, have been ruled ineligible to participate in the Donation Program and have, therefore, been instructed to buy used property from commercial sources to reduce their costs.

Regional Action Planning Commissions

As previously mentioned, the Law terminated the section 514 program under which the various Regional Action Planning Commissions transferred excess Federal property to various eligible recipients, including States and their political subdivisions, Indian tribes, tax-supported or nonprofit hospitals or institutions of higher education, and other tax-supported organizations, for economic development purposes. From fiscal year 1975 until the program's termination in October 1977, section 514 program recipients had received more than $450 million of excess property, of which more than $273 million had been received between October 1976 and October 1977.

Commission officials and former section 514 recipients believe that termination of the section 514 program has severely hurt economic development in the regions which formerly received property. They believe the program had been extremely valuable and would like to see it reinstated. Generally, these officials and former recipients contend that the Donation Program is not adequately serving economic development needs. They complained about the small amounts and low quality of property available through the Donation Program. Also, they expressed the following specific complaints about the SASPs:

--High service charges.

--Inequitable distribution of property among eligible donees.

--Inconveniently located property warehouses.

--Extensive paperwork requirements.

--Low priority afforded former section 514 recipients.

MANAGEMENT OF CURRENT FEDERAL PROGRAMS FOR THE TRANSFER OF EXCESS PROPERTY TO GRANTEES

Effective October 17, 1977, GSA issued a revised version of Federal Property Management Regulations (FPMR) part 101-43--Utilization of Personal Property--which contained policy and procedural guidance for Federal agencies in furnishing excess property to non-Federal organizations under the provisions of Public Law 94-519. At GSA and 17 Federal agencies, we evaluated selected aspects of the effectiveness with which Federal programs for the transfer of excess property to grantees or other non-Federal organizations were managed.

As stated previously, the magnitude of these programs generally has declined since the Law was implemented. However, they still involve substantial amounts of property and their effective management is an important concern. As discussed in more detail below, we found the following situations at various agencies, which show the need for improved management attention:

--NSF was transferring to some grantees property costing more than the value of their grants without appropriate approval. Although we did not find specific instances of this in other agencies, some of the agencies lacked procedures to prevent such occurrences.

--GSA was approving transfers to NSF grantees of common-use property without requiring that the Treasury be reimbursed 25 percent of the property's acquisition cost as called for in the Law.

--NSF and GSA were approving transfers of property to grantees whose grants were about to expire. Also, in some instances, agencies were submitting, and GSA was approving, transfer documents which did not contain the required information on when the recipients' eligibility would expire.

--Some Federal grantor agencies did not have effective surveillance programs to ensure that grantees were properly using excess property.

Grantees receiving property costing more than the value of their grants

The FPMR requires grantor agencies to limit the amount of excess property, measured by its original cost, transferred to a project grantee to the dollar value of the grant. Transfers of property which cost more than that amount must be approved by an agency official at an administrative level higher than the project officer administering the grant.

Various agencies which were transferring excess property to grantees, including the Employment and Training Administration, LEAA, Bureau of Indian Affairs, Forest Service, and NSF, have not implemented procedures to ensure compliance with this requirement.

The potential harm from the lack of such procedures at the Employment and Training Administration, LEAA, and Bureau of Indian Affairs is at present not great because only small amounts of property are transferred to grantees of these agencies. At the Forest Service, although large amounts of property are transferred, the seriousness of the lack of such control procedures is offset somewhat because the Government retains title to the property.

However, NSF's failure to institute the required control procedures is a more serious matter because of the large amount of property transferred and because title to the property is transferred to the grantees without reimbursement. While time did not permit a complete analysis of all grants, we found several instances where individual grantees had received property which cost more than the value of their grants without the required higher level administrative approval. These grantees are listed below.

Grant No.	Grantee	Amount of property received	Value of grant
7807762	University of Massachusetts - Amherst Campus	$227,159	$ 62,500
7802600	University of Texas - Austin	81,934	75,000
7725003	Syracuse University - New York	72,785	38,543
7680830	University of Florida	199,687	108,880
7624221	University of Wisconsin	112,685	74,000

Property requiring reimbursement transferred to NSF grantees without reimbursement

Public Law 94-519 contains a provision permitting NSF to transfer scientific equipment to its grantees without having to pay 25 percent of the equipment's acquisition cost. The FPMR, in implementing this provision, states that GSA will consider an item of property as scientific equipment if it originally cost $1,000 or more and falls within one of nine specific categories of equipment, designated as Federal Supply Groups (FSGs). In addition, the FPMR states that GSA will consider the nonreimbursable transfer of items of excess property in other FSGs and items costing less than $1,000 when NSF certifies that the item requested is a component part of or related to a piece of scientific equipment or is an otherwise difficult-to-acquire item needed for scientific research. However, the FPMR also states that items determined by GSA to be common-use or general-purpose property, regardless of classification or unit acquisition cost, will not be transferred to NSF for use by a project grantee without reimbursement. GSA has determined items, such as typewriters, furniture, vehicles, handtools, fuels, and metal sheets or shapes to be common-use.

During fiscal years 1978 and 1979, significant amounts of the property transferred to NSF grantees without reimbursement did not fall within the nine FSGs designated in the FPMR. This is shown below:

Types of property transferred	Amount of property transferred					
	FY 1978		FY 1979		Total	
	Amount (millions)	Percent	Amount (millions)	Percent	Amount (millions)	Percent
Designated FSG types	$13.2	41.0	$24.4	68.2	$37.6	55.3
Not designated FSG types	19.0	59.0	11.4	31.8	a/30.3	44.7
Total	a/$32.1	100.0	$35.8	100.0	$67.9	100.0

a/Total does not add due to rounding.

Examples of property which were common-use items, and therefore, should not have been furnished without reimbursement, included such items as home kitchen type refrigerators, a grinding machine, TV monitors, an ice machine, a power saw, aluminum metal plates, hand wrapping tools, gasoline-powered compressors, forklifts, portable buildings, 3/4-ton cargo trucks, front-end loaders, warehouse trailers, animal cages, shop equipment trucks, movie projectors, and generator sets. The transfer documents for this property were approved by GSA and bore certifications from the grantees and endorsements by NSF that the property was integral or related to scientific equipment and was required for use in scientific research projects.

GSA officials who approved the transfer of excess property to NSF grantees were not critically reviewing the transfer documents to prevent the nonreimbursable transfer of common-use items. Officials at one GSA regional office told us that if NSF certified that the property was scientific equipment or related thereto, they did not question the transfer.

Property transferred to grantees whose grants were about to expire

We found examples where NSF and GSA were approving nonreimbursable transfers of property to NSF grantees even though the grants on which the property was to be used had expired or soon would expire. Other transfer orders did not always indicate when grants would expire.

The FPMR requires that all transfer orders submitted to GSA for excess property to be provided to project grantees will specify, among other things, the name of the grantee, the grant number, and the scheduled date of grant termination. NSF implementing regulations require that grantees exercise careful judgment in requesting excess property when only a short period of time, 3 months or less, remains before the grant will terminate. We found several examples where grantees requested and NSF approved transfers of property for use on grants which were about to expire. Some of these transfers actually were approved by GSA after the grant expiration date shown on the transfer orders.

Grant		Date property requested	Date NSF approved	Date GSA approved	Property transferred	
No.	Termination date				Amount	Description
7516769	4/30/78	(a)	3/14/78	5/8/78	$2,480	Subzero freezer
7609807	11/30/78	11/2/78	11/17/78	11/28/78	9,800	Gravity meter
7609807	11/30/78	11/16/78	11/30/78	12/11/78	3,550	Compressor
7609807	11/30/78	11/16/78	11/30/78	12/14/78	166	Wrapping tool
7609807	11/30/78	10/19/78	11/3/78	12/14/78	3,749	Compressor
7704606	9/30/78	8/17/78	8/28/78	9/5/78	1,200	Ion gauge tube

a/Not shown on transfer order.

NSF officials stated that property transfers, such as those shown in the chart, are approved only when it is definitely known that the soon-to-expire grants for which property is requested will be extended or renewed by new grants. However, the transfer orders are not revised to reflect the extension or renewal. GSA officials informed us that, in approving transfer orders which indicate that grants have expired or soon will expire, they assume that NSF has extended the grant.

Also, we found excess property transfer orders that were approved by the Employment and Training Administration and the Forest Service and submitted to and approved by GSA, with no indication of when the recipients' eligibility to acquire excess property would expire.

Federal grantor agencies lack adequate surveillance procedures to ensure grantees are properly using excess property

Several Federal grantor agencies which had transferred excess property to their grantees had not implemented adequate procedures to ensure that the grantees were properly using the property. These agencies included the Employment and Training Administration, NSF, and Forest Service.

The FPMR requires each Federal grantor agency to develop and maintain an adequate system to prevent or detect nonuse, improper use, or unauthorized disposal or destruction of excess personal property furnished to grantees, whether or not title to the property is vested in the grantee. These systems must include such enforcement procedures as compliance reviews, field inspections, and audits to monitor the excess property being used by the agency's grantees.

Each grantor agency is required to publish procedures which clearly outline the scope of its surveillance program and specify the policies and methods for the enforcement of its compliance responsibilities, including the frequency of audits, reviews, and field inspections. Upon request and as a prior condition of approval of the transfer of excess personal property for use by project grantees, the grantor agency is required to furnish GSA with copies of its published surveillance procedures and its grantee recordkeeping system.

Employment and Training Administration

The Employment and Training Administration has published a grantee handbook which discusses property use. According to the handbook, the Agency's property officer is to ensure that grantee equipment, including Federal excess property, is used in the grantee's program and that reasonable care is provided for the property. Regional property officers are required to make onsite visits once every 3 years to ensure that grantees maintain adequate property records and to provide guidance in using and controlling acquired property. In addition, the national property officer at the Agency's headquarters is responsible for overseeing property use by three grantees.

We did not visit Agency regional offices, and no information was available at the headquarters on the surveillance efforts of the regional property officers. Since implementation of the Law, the national property officer had visited only one of the grantees for which he was responsible to determine if it was properly using its excess property.

Also, surveillance procedures published by the Agency in the grantee handbook do not satisfy all of the requirements in the FPMR. For example, the procedures do not outline the scope of the surveillance program or specify methods of enforcement. GSA informed us that it had not accepted these procedures as adequate.

National Science Foundation

NSF has not published surveillance procedures to ensure that excess property is properly used and has not attempted to inspect or evaluate the propriety of such use.

NSF officials told us that the various NSF program directors are expected to review property use during their visits to grantees. However, these officials could provide no evidence to show that an adequate monitoring program was being carried out. The NSF property officer stated that a formal inspection program might, if fully implemented, cost too much for NSF to continue providing excess property to its grantees.

Economic Development Administration

The Economic Development Administration has published an excess property handbook which, among other things, describes its surveillance program for property transferred to its grantees.

The handbook requires inspections of all excess property in the possession of grantees.

Onsite inspections were previously conducted annually by the Office Services Division and the Investigations and Inspections staff. In fall 1978, the Agency lost its Investigations and Inspections staff and since then, it has conducted no onsite inspections. The Agency's property officer informed us that such inspections would be resumed during fiscal year 1980, if adequate funding was provided.

Forest Service

The Forest Service publishes a "Redbook" setting forth requirements for the use of excess property transferred to State forestry organizations for use in their forest firefighting programs. The Redbook sets out specific limitations on use and stockpiling of property by these State organizations, requires that utilization reviews be performed at least once every 4 years, and provides a detailed audit checklist to be followed in evaluating the propriety of use being made of the property.

Although we did not extensively review the Forest Service's surveillance program, we found that improvements are needed. For example, the Colorado State Forest Service had stockpiled about a 2-year supply of excess vehicles. Officials of the Forest Service's Rocky Mountain regional office told us that they do not attempt to control stockpiling of property by the States. Instead, State organizations are permitted to obtain needed property on the assumption that similar property may never be available again. GSA's Denver regional office officials similarly had not objected to the stockpiling of vehicles because certain types of vehicles needed for forest fighting do not become available as excess as often as they did in the past.

Forest Service Rocky Mountain regional officials acknowledged that their audit coverage of excess property use has been minimal. We reviewed two of their excess property review reports and found that they did not address all of the steps prescribed in the Redbook checklist.

CONCLUSIONS

The implementation of Public Law 94-519 generally has had the effect intended by the Congress on the Government's programs under which excess personal property was being transferred to Federal and non-Federal organizations. Now, much less excess property is being transferred to non-Federal organizations and the proportion of available excess property being transferred to Federal agencies for their use has increased.

The decrease in excess property transferred to non-Federal organizations undoubtedly caused problems for these organizations. However, excluding strong complaints expressed by grantees of the Economic Development Administration and former section 514 property recipients, knowledgeable Federal officials generally were not aware of any serious adverse impact on their grantees caused by the Law. We believe the complaints expressed by the Economic Development Administration grantees and section 514 property recipients were to be expected because they had become accustomed to receiving relatively large amounts of property before the Law. As discussed in chapter 3, the Congress anticipated these organizations' disappointment. By broadening the purposes for which surplus property could be furnished under the Donation Program to include economic development, the Congress attempted to ensure the organizations' continued receipt of reasonable amounts of property.

Despite its overall reduction, the amount of excess property being transferred to non-Federal organizations is still substantial and various improvements are needed concerning these transfers to ensure that the property is managed and used in accordance with the FPMR which implemented the Law. We found examples where (1) procedures had not been implemented to ensure that transfers of property costing more than the value of the Federal grants were properly approved, (2) property requiring reimbursement was being transferred to NSF grantees without reimbursement, (3) property was being approved for transfer for use on grants without assurance that the grants would continue for a reasonable period, and (4) Federal grantor agencies were not conducting adequate surveillance programs to ensure that grantees were properly using excess property.

We were not able to perform a detailed review of the adequacy of all Federal agencies' programs for transferring excess property to grantees and, at the agencies we visited, we could not, in the time available, perform indepth tests of all aspects of the agencies' programs. Therefore, it is very possible that the deficiencies we noted at some agencies also existed at other agencies and that a more indepth audit would have disclosed the need for other improvements at the agencies we visited.

RECOMMENDATIONS

We believe our findings clearly show both Federal grantor agencies and GSA need to improve their management of the transfer of excess personal property to non-Federal organizations.

GSA can more effectively manage excess property transfers for Federal grantees by performing a more critical review of such transfers submitted to it for approval. However, compliance with the Public Law and FPMR requirements concerning these transfers is the responsibility of all Federal grantor agencies. High-level support and management attention within these agencies is necessary to ensure that transfers of excess property to Federal grantees are carried out in the manner intended by the Congress when it enacted Public Law 94-519.

Accordingly, we recommend that:

--The Administrator of General Services require GSA personnel to review proposed transfers of excess property to Federal grantees thoroughly and to return, without approval, those which do not appear proper. These include any nonreimbursable transfers of common-use items to NSF grantees and any transfers to grantees whose eligibility apparently has expired or soon will.

--The heads of all Federal agencies which transfer excess personal property to their grantees, review their plans, policies, and procedures on such transfers and ensure that they fully comply with the applicable provisions of Public Law 94-519 and the implementing FPMR.

AGENCY COMMENTS AND OUR EVALUATION

We provided GSA a copy of a draft of this report and we furnished copies of applicable draft sections of this chapter to the other Federal agencies included in our review. The Administrator of General Services provided us GSA's comments on June 11, 1980. A copy of these comments is included as appendix V. We received comments from 12 other Federal agencies between June 11 and July 1, 1980. Their comments are included as appendixes VI through XVII.

GSA comments

GSA officials generally agreed with our conclusions and recommendations and said that they had taken or would take various actions to ensure that their regional offices exercise proper control over transfers of excess property to non-Federal organizations. With one exception, the actions GSA has taken or will take appear adequate. The exception involves transfers of property to NSF grantees. GSA pointed out that the FPMR provides that GSA will consider items of personal property as scientific equipment when NSF certifies that the item requested is a component part of or related to a piece of scientific equipment or is an otherwise difficult-to-acquire item needed for scientific research. GSA officials also stated that they will instruct their regional offices to require reimbursement in the absence of the required NSF certification on transfers of equipment that is not clearly scientific.

GSA is correct in its statement concerning the provision of the FPMR. However, the FPMR also states, immediately following the provision referred to by GSA, that:

> "* * * Items of property determined by GSA to be common-use or general purpose property, regardless of classification or unit acquisition cost, shall not be transferred to the National Science Foundation for use by a project grantee without reimbursement."

We believe these common-use or general-purpose items should not be transferred without reimbursement, regardless of whether NSF certifies that the items will be used for scientific purposes. The transfer documents for all of the common-use items we noted being transferred at no cost for use by NSF grantees contained the certification which GSA says it will continue to honor. According to NSF officials, the intent of the Law is "to exempt from the 25-percent payment requirement, all property transferred to Foundation grantees for use in scientific research projects, not just equipment meeting a strictly scientific definition." Therefore, there is no reason to expect NSF to discontinue making the certifications referred to in the GSA comments.

We believe that if the Congress had intended what NSF claims--that all property to be used by NSF grantees for scientific purposes should be transferred without reimbursement--the Law would not have contained language limiting such cost-free transfers to "scientific equipment." We agree with GSA's interpretation of the Law, as contained in the FPMR, and believe GSA should not allow the transfer to NSF grantees without reimbursement of common-use or general-purpose items.

We are not attempting to prevent NSF grantees from acquiring this type of Federal property. However, we believe the Congress intends that they should obtain this property through the Donation Program on a fair and equitable basis along with other eligible donees.

National Science Foundation comments

NSF expressed disappointment at what it considered a predominately negative tone to our draft report. NSF commented that it was very sensitive to any action which might interfere with its efforts to assist universities in acquiring needed instrumentation to perform research. NSF also expressed concern that it was not provided a copy of the complete draft report for comment, saying that it was concerned with whether surplus property is being distributed cost effectively for scientific purposes through the Donation Program. In this regard, NSF said it had strong reservations regarding the interest of many of the SASPs in obtaining the type of equipment NSF grantees normally acquire as excess property. NSF said it had received informal feedback that some universities had not developed satisfactory relationships with SASPs.

Further, NSF expressed concern that our draft report did not question the appropriateness of the FPMR provisions limiting the amount of excess property that can be obtained, without special justification, for use with a grant. NSF said that no such limitation is contained in the Law and that it is in a dilemma concerning the extent to which it is expected to perform surveillance over property use by grantees. NSF pointed out that the Office of Management and Budget (OMB) essentially prohibits a comprehensive surveillance program regarding new equipment purchased with with grant funds, but that GSA requires such a program regarding excess property. NSF stated that it had expected our report to deal with this apparent inconsistency.

NSF also disagreed with our contention that, in enacting Public Law 94-519, the Congress had been concerned that significant amounts of excess property were being transferred to non-Federal recipients and not always used properly, when Federal agencies might have needed the property for their own use. NSF suggested that we clarify the report to indicate that requests for property by NSF grantees were honored only if no Federal agencies had indicated an interest in acquiring the property.

According to NSF, the requirement for approval of such transfers at an administrative level higher than the project officer had never been clearly defined. NSF felt it had always been in compliance because all excess transfers to grantees were approved by the program officer responsible for the grant and by the property officer. NSF stated that, following its discussion with our representative during the review, it had implemented a procedure requiring approval by the appropriate section head or division director, in addition to the program director, in situations where the total amount of property to be transferred exceeded the grant amount.

NSF disagreed with the thrust of our finding that nonreimbursable transfers of property requiring reimbursement had been made to its grantees. As stated previously, NSF believes that "the intent of the Public Law was to exempt from the 25 percent payment requirement, all property transferred to NSF grantees for use on scientific research projects, not just equipment meeting a strictly scientific definition."

NSF said it exercised careful judgment on transfers of property to grantees whose grants were about to expire. NSF said that frequently it approved such transfers when it was certain that the existing grant would be extended or a new grant would support the projects for which the transfer was being approved. NSF said that use of the existing grant number may be incorrect, but that such use did not violate the spirit of the Law.

NSF furnished us a copy of an April 30, 1980, letter which forwarded its excess property use surveillance procedures (Circular No. 85) to GSA. NSF stated that its program directors, property officers, and grant and contract specialists made excess property reviews as part of their routine site visits. NSF also said its auditors had been asked to include a review of excess property in their audit programs.

In summary, NSF said it did not feel our draft report adequately addressed the intent of the Law, the advantages of the excess program as it relates to grantees, the appropriateness of the implementing regulations, or the manner in which NSF administers the program.

We do not believe our report is predominately negative. We believe that the Public Law has generally had the effect intended by the Congress on various programs under which excess property was being transferred to Federal and non-Federal organizations. However, several agencies, including NSF, need to improve their handling of transfers of property to grantees. Pointing out these needed improvements, in our view, is a positive step.

Regarding NSF's belief that some SASPs may not be interested in obtaining for NSF grantees the type of property that is normally acquired as excess property, we believe the SASPs included in our review were generally managing the Donation Program as intended by the Congress. If NSF has specific information or allegations concerning any SASP, it should provide this information to GSA. If NSF would like to provide the information to us, we would consider it in planning our next biennial review under the Law.

We did not question the appropriateness of the FPMR limitation on the amount of excess property that can be obtained, without special justification, for use with a grant because we believe it is appropriate. The requirement for special approval of transfers of property exceeding the amount of an individual grant applies to all Federal grantor agencies. The requirement does not prevent a grantee from receiving needed property; it simply requires that relatively large transfers be reviewed at a higher administrative level than normal.

Concerning NSF's complaint that GSA requires a more comprehensive review of grantee use of excess property than OMB does for property bought with grant funds, we discussed this matter with OMB officials. They did not see an inconsistency. They stated that they would expect grantor agencies to perform sufficient surveillance to ensure the Government's interests are protected concerning the use of property bought with grant funds. They also said that it is GSA's responsibility, not theirs, to comment on the nature and scope of surveillance necessary to protect the Government's interests in grantee use of excess Federal property. During our review, we did not attempt to evaluate the propriety of use made of property bought with grant funds.

We disagree with NSF's contention that the Congress was not concerned that excess property was being transferred to non-Federal recipients when it might have been needed for internal use by Federal agencies. While testifying before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations, on the bill that later became Public Law 94-519, we were questioned in some detail about the practicality of determining, after the fact, whether excess property taken but not used by a non-Federal organization might have been needed for internal use by a Federal agency. In fact, the full exchange between the Subcommittee Chairman and us on this subject is quoted on page 8 of House Report No. 94-1429, and is introduced by the following language:

> "* * * The serious consequences of non use underlie the GAO's testimony concerning the impracticality of determining whether another Federal Agency would have had a need for the excess property at the time it was 'frozen' by the acquiring agency for transfers to its non-Federal recipients."

Following these hearings, the Subcommittee asked us to examine the usage of excess property by various non-Federal recipients. The House Report cited above contains the following discussion of our findings:

> "GAO examined 145 items provided by the National Science Foundation (most to universities). The items cost the Government $2,467,928. Of the 146 items, 102 were not in use. They originally cost the Government $1.7 million."
>
> *   *   *   *   *
>
> "Testifying before the Subcommittee, on which as Subcommittee Chairman he had spent many years in an effort to develop and preserve an effective surplus property program, the full Committee Chairman Brooks summed up this problem and related it to the need for legislation:

> 'In all these cases and many more illustrated in the GAO report, it must be emphasized that the property was made available prior to being screened by other Federal agencies, without being distributed by GSA through the coordinated State donation agencies, and without any effort to determine which recipients of which States had the highest priority need for such property. H.R. 9152 has been introduced to eliminate these defects.' "

We also disagree with NSF's contention that the intent of Public Law 94-519 was to exempt from the 25-percent payment requirement all excess property transferred to NSF grantees for use on scientific research projects. The Public Law included four exemptions to the general requirement that the Treasury be paid 25 percent of the acquisition cost of property transferred to grantees. In three of the exemptions, the Law uses the term "property" to describe what is being exempted. However, regarding transfers to NSF grantees, the Law exempts "scientific equipment." Throughout the House and Senate Committees' reports on the bill that became Public Law 94-519, the same terminology is used for exemptions to the 25-percent payment requirement--"scientific equipment" when referring to excess property to be transferred to NSF grantees and "property" when referring to the other three exemptions. Therefore, we believe that GSA's FPMR implementing the exemption for transfers to NSF grantees is reasonable. As previously stated, the FPMR makes it clear that "common-use" or "general-purpose" property, as determined by GSA, shall not be transferred to NSF for use by a project grantee without reimbursement. We believe GSA should enforce the FPMR provision prohibiting nonreimbursable transfers of common-use or general-purpose property.

Concerning transfers of excess property to grantees whose grants were about to expire, we believe that NSF should record the number and expiration date of the grant for the property which is being approved for use. Only in this way can NSF exercise adequate overall control over such transfers, including detecting the need for special approval of transfers of property exceeding the amount of the recipient's grant. Further, NSF's failure to indicate the correct grant number and expiration date on the excess property transfer document submitted for GSA's approval prevents GSA from effectively performing its review and approval role. GSA has informed us that, in the future, its regional offices will question requests for transfer of excess property received within 60 days of the expiration date of the grant shown on the transfer document.

Department of Labor comments

The Department of Labor agreed with our recommendation that the heads of all Federal agencies review their plans, policies, and procedures on the transfer of excess property to non-Federal organizations. The Department pointed out that all FPMR provisions concerning monitoring excess property have been incorporated in the applicable grant documents and that procedures to ensure effective management of the transfer of excess property to grantees will be included in the newly revised property handbook for employment and training grantees.

The Department also provided information which it believes would more clearly describe the impact of Public Law 94-519 on its grantees and the various ways in which it handles transfers of excess property to grantees. We have incorporated this information where it is appropriate.

Concerning controls to assure that grantees do not routinely acquire property costing more than the value of their grants, the Department stated that, in most cases, the amount of its grants that can be devoted to administrative purposes, including property, is limited to 15 or 20 percent and that this serves as a safeguard against grantees acquiring excessive amounts of property.

As previously stated, the lack of the required controls at the Employment and Training Administration does not currently represent significant potential harm because of the relatively small amounts of property being transferred. However, this situation could change in the future. The FPMR requires all grantor agencies to maintain records which, among other things, show the total amount of excess property transferred as a percentage of the total dollar value of the applicable grant. The purpose of the records is to alert the grantor agencies that special approvals are required for future transfers of property. Our review showed that the Employment and Training Administration was not maintaining such records, as required.

Regarding approval of transfers of property to grantees whose grants were about to expire, the Department felt that its procedures were adequate and that, because nearly all of the employment and training grants expired at the same time, this was an easy area to control. We agree that it is an easy area to control. However, during our review, we noted transfer orders for excess property approved by the Employment and Training Administration and forwarded to GSA for approval which did not reflect the expiration date of the related grants. Omitting this required information from the transfer orders could cause an error by the Employment and Training Administration and complicates GSA's review and approval process. Grant expiration dates should be shown on all such transfer orders.

Regarding surveillance over grantee use of excess property, the Department stated that, since the time of our review, reviews of excess property have been made.

Department of Justice comments

The Justice Department agreed that Public Law 94-519 did not cause extreme hardships for LEAA grantees. However, it pointed out that the decline in acquisition of excess property has caused these grantees to use more grant money to buy property and has left less funds for grant programmatic achievement. Further, the Department pointed out that grantees, mainly in the corrections area, had formerly used excess property to enhance their grants. In this regard, it cited a correctional farm in Arizona which had provided training to inmates by having them rebuild excess equipment which had been in bad condition when acquired.

Concerning controls to prevent routine transfers of property exceeding the dollar value of recipient grants, the Department stated that LEAA complied with the FPMR. According to the Department, the LEAA Guideline Manual provides the necessary procedures to comply with this FPMR requirement, and records are maintained listing grantees, grant dollar amounts, and total acquisition cost of excess property obtained under the grant. The Department did not say where these records are maintained. During our review, we questioned LEAA's excess property management chief and grant property officer. Both officials informed us that LEAA maintains no overall inventory control of excess property transferred to grantees. Instead, LEAA relies on the State planning agencies, which receive block grants from LEAA and then make subgrants within their States, to account for and control excess property transferred by LEAA. While reliance on the State planning agencies would be proper in many regards, we believe that LEAA should at least maintain records of the amount of excess property transferred to grantees. In this way, LEAA will be able to comply with the FPMR requirement that special approvals be given when grantees receive excess property costing more than the value of their grants.

Department of Agriculture comments

The Department of Agriculture agreed with our recommendations concerning the transfer of excess property to non-Federal recipients.

The Department questioned the applicability of certain of our findings regarding it and the non-Federal recipients to which it transfers excess property. The Department pointed out that these recipients--State forestry agencies--are not grantees but are cooperators with the Federal Government in protecting State and private forests from fire. The Department commented that State forestry agencies have the authority to acquire excess property independent of their authority to receive cooperative funds and that the excess property transfers could continue without the transfer of funds. Therefore, the Department believes the dollar value of excess property transferred should not be limited by the funding level for a given year.

The Department stated it did not put expiration dates on its excess property transfer orders because its authority to transfer excess property does not expire annually or periodically. Regarding our statement that it was allowing stockpiling of excess equipment, the Department stated that it normally prohibits stockpiling beyond 1 year's supply of equipment. However, it said that this prohibition is lifted for "out of production" items, such as 1940-1964 vehicles which are now becoming available as excess property. It contended that vehicles or parts which were not transferred as excess property or donated as surplus property would be purchased by private companies and then be available to the Department at inflated prices.

The Department said it had developed an adequate surveillance procedure for excess property acquired by State forestry agencies, but had not yet fully implemented the procedure. According to the Department, it will constantly monitor and update its procedures.

We agree that the State forestry agencies technically are not grantees; this was acknowledged in our draft report. However, various principles and issues concerning excess property transferred to grantees; that is, limitation of the amount transferred to individual recipients and surveillance over grantee use of excess property, also apply to the State forestry agencies receiving property from the Department of Agriculture. We do not believe it would be fair and equitable to allow State forestry agencies to obtain excess property on significantly more favorable terms than grantees. Unless the Department of Agriculture exercises controls similar to those the FPMR requires the Federal grantor agencies to exercise, this could happen. We, therefore, have decided to include our findings concerning the Department's transfer of excess property to these non-Federal recipients to inform the Congress of the situation.

Department of the Interior comments

The Department of the Interior agreed with our findings, conclusions, and recommendations, with one exception. The Department pointed out that many Indian tribes located on Federal reservations had formerly received excess property as Federal economic development grantees or section 514 recipients. The Department further stated that these Indians are not now eligible to acquire surplus property through the Donation Program, even though economic development has now been included as an authorized purpose for which property can be donated. The Department concluded, therefore, that these Indians' development efforts have been severely affected and that they have been placed on an unequal footing with those developing organizations eligible for donation. The implication in the Department's comments is that the Public Law has been detrimental to Indians located on Federal reservations.

The Department's comments are surprising. Its statements about the Indians' former and current eligibility to receive excess and surplus property are true. Indians were eligible for excess property; they are not currently eligible for surplus property. Only Indians located on State reservations are eligible to receive surplus property. However, the Department did not mention that the Public Law specifically authorizes Indians located on Federal reservations to continue to receive excess property at no cost. Therefore, the Department's implication that the Law has harmed these Indians is misleading. If these Indians have been hurt, it is because they are not receiving excess property as they are entitled. As stated earlier, they are not receiving such property because the Bureau of Indian Affairs believes it cannot afford to administer an excess property program.

Department of Commerce comments

We received two sets of comments from the Department of Commerce: one from the Assistant Secretary for Economic Development, the other from the Special Assistant to the Secretary for Regional Development.

The Assistant Secretary stated that Commerce officials are aware of the strong complaints expressed by Economic Development Administration (EDA) grantees concerning the impact of Public Law 94-519. However, he said EDA agrees with the intent of the Law and sees merit in achieving greater accountability and control over the use of Government property. He went on to say that, by policy decision, EDA has decided to transfer no more excess property to grantees, with or without the 25-percent payment requirement.

Regarding our recommendation to the heads of all Federal agencies, the Assistant Secretary said EDA had reviewed its policies and procedures on the transfer of excess personal property to non-Federal grantees. EDA concluded that since it is no longer making such transfers, there is no need to revise its policies or procedures, except for those on inspection of property already in the possession of its grantees, Federal Indian tribes. He acknowledged that EDA had not inspected the usage of this property since fall 1978 and attributed the lack of inspections to EDA's limited administrative funds. He said EDA had a supplemental administrative funding appropriation for 1980 and would conduct the required inspections if sufficient funds became available. Further, he said EDA has requested 1981 funding to conduct the required inspections.

The Assistant Secretary stated that it would be desirable to have the Bureau of Indian Affairs perform the inspections because the Bureau has personnel at all the Indian tribe locations who could conduct the inspections with a minimum of effort and expense. He said EDA has been negotiating with the Bureau to have it assume responsibility for all excess property transferred by EDA to Federal Indian tribes. Agreement has been reached for the Bureau to conduct selected inspections and this agreement will be implemented when sufficient funds become available. In the interim, he said EDA will require the Indian tribes to certify that excess property transferred to them is actually on hand and being used as intended.

The Special Assistant to the Secretary stated that since the passage of the Public Law, the Department has not received any indication from the Federal Cochairmen of the Regional Action Planning Commissions that former section 514 recipients have been adversely affected by the program's termination. The Special Assistant stated that even though the section 514 program had been well received, the program in each Regional Action Planning Commission had been understaffed and the expanded use of excess property had placed an inordinate paperwork burden on the Commissions. As a result, many of the Commissions had been unable to achieve greater accountability and control over the use of Government property.

The Special Assistant urged that a careful and thorough evaluation of the true costs and benefits to former and current excess and surplus property recipients be performed to provide a basis for program modifications. He also recommended that the complaints expressed about the SASPs by former section 514 recipients be addressed and resolved.

As indicated earlier, a thorough evaluation of the true costs and benefits to former and current recipients of excess and surplus property would be a massive undertaking. Even if it were possible, we do not believe it is necessary at this time. In enacting Public Law 94-519, the Congress recognized that non-Federal organizations which were formerly eligible to receive excess property would be affected. The Congress attempted to compensate for this and bring equitability to the total program for transferring unneeded Government personal property to non-Federal organizations by making these organizations eligible on an equal footing with former donees to receive surplus property through the Donation Program.

During the first 2 years of the Law's operation, as stated in chapter 3, substantial and increasing amounts of property were being donated to organizations and for purposes, including economic development, which formerly benefitted from the receipt of excess property. We believe this is what the Congress intended. We plan to continue monitoring the Donation Program to assure that all classes of donees are treated equitably. In this regard, we agree completely that the complaints of former section 514 recipients should be addressed. In our future reviews of the program, we will pay close attention to these complaints. However, because of the massiveness of the Donation Program, we cannot do this by ourselves. That is why we have recommended, in chapter 3, and place heavy emphasis on, the need for increased external audit coverage of the individual SASPs. These external audits are required to include a review of the SASP's compliance with its State plan of operation and the applicable FPMR, which require that donated property be distributed fairly and equitably within each State.

Other agencies' comments

We also received brief comments on matters discussed in this chapter from DOD, FEMA, the Community Services Administration, and the National Aeronautics and Space Administration.

DOD suggested that we modify our recommendation concerning the need for Federal agencies to review their excess property transfer policies and procedures to exclude agencies not involed in such transfers. The Law and implementing FPMR authorize all Federal agencies to transfer excess property to grantees. Therefore, DOD could at any time begin making such transfers. Because of DOD's suggestion, we modified our recommendation slightly and directed it to the heads of all Federal agencies which transfer excess property to their grantees. If DOD elects to start making such transfers, it too should make sure that its program complies with the Law and implementing FPMR.

FEMA made two suggestions that language be added to the chapter for clarity. We have adopted both suggestions.

The Community Services Administration pointed out that before the passage of Public Law 94-519, it foresaw the adverse impact the Law would have on its community action agencies and requested an exemption from the Law for these agencies. The Congress did not grant the exemption. The Agency stated that it still hopes to be granted an exemption.

The National Aeronautics and Space Administration requested we reword one sentence in the draft report dealing with the impact of the Law on its grantees. We have adopted the suggested rewording.

CHAPTER 3

SURPLUS PROPERTY DONATION PROGRAM

UNDER PUBLIC LAW 94-519

As discussed in chapter 2, implementation of Public Law 94-519 effectively stemmed the increasing flow of excess Federal personal property to non-Federal recipients. As a result, the Law achieved one of its major objectives regarding the surplus property Donation Program--it brought about a greater flow of surplus property through the SASPs to eligible donees than would probably have been the case if the Law had not been enacted. In addition, as the Congress intended, substantial amounts of property have been donated to organizations and for purposes which were not eligible before to Public Law 94-519.

Overall, we found that GSA's and the SASPs' administration of the Donation Program has been effective and that the program is generally functioning as the Congress intended. However, some of the objectives that the Congress sought in the Donation Program through passage of the Law have not been fully achieved. In this regard, we noted various aspects of the program that need management attention. These, along with a discussion of the overall impact of the Law on the Donation Program, are included in the following sections.

AMOUNT OF SURPLUS PROPERTY BEING TRANSFERRED THROUGH DONATION PROGRAM

During the years just before Public Law 94-519 was enacted, the volume of surplus personal property being transferred through the Donation Program had been declining steadily, as shown below.

Fiscal year	Value of property approved for donation (note a)
	(millions)
1974	$431.7
1975	395.9
1976	367.6

a/The term "property approved for donation" means that GSA has approved the transfer of property from the Federal holding activity to either a SASP or directly to a donee. Since much of this property is taken into inventory by SASPs and donated later, the figures in this schedule do not represent actual donations.

This trend was reversed during fiscal year 1977, the year between enactment and implementation of the Law, and, as shown below, the amount of property approved for donation in the 2 years since the Law was implemented has exceeded the volume in 1974.

Fiscal year	Value of property approved for donation
	(millions)
1977	$392.0
1978	482.6
1979	452.9

AMOUNT OF PROPERTY DONATED

Before the Law's implementation, SASPs could donate property only for the purposes of education, public health, and civil defense, or research related to these purposes. Organizations eligible to receive donations from SASPs were limited to tax-supported or nonprofit, tax-exempt medical or educational organizations, public libraries, and civil defense organizations established pursuant to State law.

The Public Law considerably broadened the range of purposes and organizations eligible to receive donations from SASPs. In addition to the formerly eligible recipients, such donations can now be made to any public agency for use in carrying out, or promoting for the residents of a given political area, one or more public purposes. Eligible public agencies include any State (and the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa); State political subdivision (including any unit of local government or economic development district); State department, agency, or instrumentality (including instrumentalities created by agreement between States or political subdivisions); or Indian tribe, band, group, pueblo, or community located on a a State reservation.

Donated property received by nonprofit, tax-exempt organizations must still be used only for educational or public health purposes, or related research.

Statistical data is not available to demonstrate precisely the extent to which the newly authorized activities and types of recipients have received donated property since the Law was implemented. Since one of the new purposes--public safety--includes one of the former purposes--civil defense--there is no way to determine how much of the fiscal years 1978 and 1979 public safety property was donated for purposes other than civil defense. However, the following schedule, which categorizes the total property donated through the SASPs in the past 4 fiscal years, indicates that substantial amounts of property have been donated to public agencies for the now eligible public purposes.

Amounts of Property Donated by SASPs

for Purposes Specified in Public Law 94-519

Fiscal year	Education	Public health	Civil defense	Conser-vation	Economic develop-ment	Parks and recrea-tion	Public safety	Two or more purposes	For other public purposes	Total
						(millions)				
1976	$228.8	$32.9	$37.7	$	$ -	$ -	$ -	$ -	$ -	b/$299.5
1977	196.9	31.4	57.1		-	-	-	-	-	285.4
1978	197.1	22.9	(b)	2.9	21.6	4.8	49.0	25.6	18.8	b/ 342.8
1979	216.0	21.4	(b)	3.8	46.3	6.1	45.2	37.6	11.3	b/ 387.8

a/Figure does not add due to rounding.

b/Civil defense donations are now included in public safety category.

If property donated for civil defense and public safety purposes is eliminated and the remaining data is summarized to show donations for purposes eligible before Public Law 94-519 (education and public health) and for new purposes (all others), one can see that the new public purposes are benefiting substantially from the broadened Donation Program. In addition, it appears that the amount and proportion of donated property they are receiving are increasing, as shown below.

Property Donated by SASPs

Fiscal year	Pre-Public Law 94-519 purposes		New public purposes		Total
	Amount	Percent	Amount	Percent	
	(millions)		(millions)		(millions)
1976	$261.8	100	-	-	$261.8
1977	228.3	100	-	-	228.3
1978	220.0	75	$ 73.8	25	293.8
1979	237.4	69	105.2	31	342.6

MANAGEMENT OF THE DONATION PROGRAM BY GSA AND SASPs

As stated earlier, progress toward achieving major objectives of Public Law 94-519--reducing the amount of excess property transferred to most non-Federal organizations and expanding and revitalizing the Donation Program--appears to be in line with the intent of the Congress. This progress has been the result of generally effective management by GSA and the SASPs. However, we found several areas where management improvements are needed. These areas, which are discussed in more detail below, involve

--weaknesses in GSA procedures for allocating property among States,

--insufficient audit and review of the Donation Program,

--inconsistent and possibly excessive SASP service charges,

--inadequate SASP inventory control procedures,

--nonuse or improper use of property by donees, and

--lack of compliance with the requirement that each State legislature develop a permanent Donation Program plan of operation.

Weaknesses in GSA procedures for allocating property among States

Under the Law, GSA is charged with ensuring that surplus property transferred to SASPs for donation to eligible donees is distributed fairly and equitably among the States, considering the condition of the property, as well as its original acquisition cost. This is not an easy task for various reasons.

While GSA's efforts to distribute property among the various SASPs fairly and equitably appear to be reasonably effective, improvements could be made in two areas. First, officials at two of the four regions responsible for allocating reportable property 1/ did not have all of the historical information they needed to assure that all States received their fair share of highly desirable, reportable property items. Second, GSA allocation procedures for nonreportable property 2/ varied in different parts of the country, and as a result, some States had less chance of obtaining needed surplus property which became available at Federal activities in other States.

GSA has prescribed special allocation procedures to be used with reportable items of property categorized as highly desirable (items requested by four or more SASPs). The procedures require that when quantities of these highly desirable items are not sufficient to allocate to all requesting States, the available items will be allocated on a rotating basis, to be determined from historical allocation registers maintained in the allocating regional offices. These historical records are required to show the types, quantities, acquisition cost, and condition of highly desirable items allocated to each State in the past.

Our work at two GSA regional offices--Fort Worth and Atlanta--disclosed that the historical registers did not contain sufficient information to allow the allocating official to make a fair determination as to which State should receive the highly desirable items as they became available. The register maintained in Atlanta did not show the specific types of highly desirable items allocated to specific States in the past. Instead, it showed only the total number of highly desirable items allocated to each State. In Fort Worth, allocating officials used two sets of historical records to decide which State should receive highly desirable items; however, neither set contained all the required data. One set was merely a tally sheet of the number of each type of item received by individual States in the past, without indication of cost or condition of the

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1/Property required by the FPMR to be formally reported to GSA for utilization screening when the holding agency determines the property to be excess to its needs.

2/Property not required by the FPMR to be formally reported to GSA for utilization screening, but which can be screened onsite by GSA and other agencies.

property. The other set reflected only the total past acquisition cost of all highly desirable items received by each State. These items were categorized as property in scrap condition and property in other-than-scrap condition. Even by referring to both records, the allocating official can not determine the acquisition cost and condition of specific types of highly desirable items allocated to individual States in the past.

Most of the nonreportable surplus property that becomes available for donation in the GSA Denver regional office area is generated in Colorado and Utah. When the Colorado and Utah SASPs identify such property that has potential use by donees, it is listed and the lists are circulated to other SASPs in GSA's Denver, San Francisco, and Auburn, Washington, regional areas. Any SASP in these three regions can submit requests for property to the SASP-funded Western States Surplus Property Organization (WSSPO), where they are compiled and forwarded to GSA's San Francisco regional office. The San Francisco office then determines the proper allocation of property requested by more than one SASP. This system, similar to the system employed nationwide by GSA for allocating reportable property, affords SASPs, especially those representing donees in States where a relatively small amount of surplus property is generated, the opportunity to acquire out-of-State property without incurring the cost of sending their property screeners to other States to locate and physically examine the property. We believe this system is in line with the Congress desire to achieve as fair and equitable distribution of property as possible.

In other parts of the country, SASPs desiring to obtain nonreportable property generated in other States must send representatives to those States to perform joint screening with representatives of the host SASP. While this system of joint screening is commendable and enables SASPs in whose States little surplus property is generated to acquire property, we received complaints from officials of some SASPs--for example, Massachusetts and Maine--who stated that their organizations' lack of financial resources prevented them from performing much out-of-State screening. In addition, officials of the GSA Boston regional office informed us the New Hampshire, Vermont, and Maine SASPs did not have the resources to send representatives to distant States to screen property.

Insufficient audit and review of Donation Program

SASPs may be audited by GSA's regional audit offices, State audit organizations, or public accounting firms hired by the States. Generally, however, the frequency and nature of the audits performed on SASPs since the Law was implemented appear to be insufficient to protect the Government's interests and to comply with the FPMR.

The FPMR requires each SASP's plan of operation to provide for periodic internal and external audits of its operations and financial affairs. External audits must be performed at least every 2 years by an appropriate State authority or by an independent certified public accountant or independent licensed public accountant and must include a review of the SASP's conformance with the State plan of operation and the requirements of part 101-44 of the FPMR. In addition, the FPMR states that GSA may conduct its own audits of SASPs.

At the time of our review, external audits satisfying the FPMR requirement had been completed for only 6 of the 25 SASPs under the jurisdiction of the 4 GSA regional offices included in our review. In addition, GSA had audited two SASPs in these regions.

As of July 1979, the Boston GSA regional office had received no external audit reports for SASPs in its area, which includes the States of Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, and Connecticut. During our visits to the Massachusetts and Connecticut SASPs, we learned that both organizations had received external audits, but that neither audit included a review of the SASP's conformance with its plan of operation or the FPMR. GSA issued an audit report on the Massachusetts SASP in October 1979 which criticized various aspects of that organization's controls of its property inventory and its oversight of donee use of surplus property received.

As of July 1979, satisfactory external audits had been performed at only three--Kentucky, Tennessee, and Florida--of the eight SASPs located in the Atlanta GSA regional office's area of responsibility. Kentucky was the only State for which GSA had a completed audit report, including recommendations and SASP response. This report criticized the degree of accuracy of the SASP's inventory records. External audits which had been performed at the Georgia and North Carolina SASPs were inadequate because they had not included reviews of operations. The Alabama, South Carolina, and Mississippi SASPs had not had external audits.

GSA had audited the Mississippi SASP and had found serious deficiencies, including

--lack of adequate controls and records for property requested, received, and donated;

--incomplete records of donee eligibility; and

--misuse of property by donees.

GSA auditors believed the deficiencies in Mississippi to be so serious that they recommended that the State be suspended from the Donation Program until it took corrective actions. GSA subsequently decided to allow the Mississippi SASP to continue operations if effective actions were taken to correct the deficiencies.

As of August 1979, no external audits had been completed for States in the Fort Worth GSA regional office's area, which includes Texas, New Mexico, Oklahoma, Arkansas, and Louisiana. An audit of the Texas SASP was being performed at that time. GSA had reviewed selected activities of the Texas and Oklahoma SASPs and had concluded that Oklahoma donees had improperly used donated military jeeps. This review was not a full-scale audit of SASP operations.

At the time of our review, acceptable external audits had been completed at three of the six SASPs in the Denver GSA regional office's area. The South Dakota SASP had been audited by a certified public accountant who reported no significant deficiencies. The Wyoming SASP had been audited by the State audit organization and was criticized for inadequate property inventory procedures. The Colorado SASP had been audited by the State audit organization also. The audit report pointed out that the Colorado SASP maintained one set of financial records on both the Federal Donation Program and the State's property disposal program, thereby making it impossible to determine accurately the costs of the two programs. Also, the auditors found that service charges collected by the SASP on donated Federal property did not conform to the plan of operation and might have been improperly supplementing the State property program. External audits performed in North Dakota and Utah had been basically fiscal audits and had not included reviews of SASP compliance with the State plans of operation and the FPMR. An external audit had not been performed in Montana because language in the State plan of operation, that audits "may" be conducted, had been interpreted by the State government to mean that audits were not mandatory.

Inconsistent and possibly excessive SASP service charges

Service charges collected by SASPs are not always applied consistently to all donees. This can result in unfavorable treatment of some donees and favorable treatment of others. Also, we found examples where service charges appeared excessive in comparison with the services actually performed by the SASP.

Most SASPs finance all or the major part of the costs of operations by collecting service charges for the property donated to donees within their States. Therefore, these charges, in total, must be sufficiently high to enable the SASP to break even and to operate a viable program. However, Public Law 94-519 requires that they must be fair and equitable, cover direct and reasonable indirect costs of the SASP, and be based on services performed by the SASP.

We did not undertake a detailed review of how SASPs determine their service charges. However, we found examples where apparent arbitrary or unreasonably high service charges had been collected which did not appear to be in accord with the intent of the Public Law.

The Missouri State plan of operation contains the following general guidance for computing service charges.

Acquisition cost of donated property	Service charge	Service charge range up to
	(percent)	
Up to $ 1,000	0 to 15	$ 150
$ 1,001 to $ 5,000	0 to 10	$ 500
$ 5,001 to $ 20,000	0 to 5	$1,000
$20,001 to $ 35,000	0 to 3	$1,000
$35,001 to $100,000	0 to 1	$1,000

The plan states that when donees pick up the donated property from the Federal holding activity, the normal service charge will be reduced by 50 percent.

In practice, however, we found that often the charges actually collected by the Missouri SASP for donated property were not applied consistently or did not comply with the plan. For example:

--Two identical grinding machines were donated to different recipients. One was charged $200; the other was charged $300. The SASP director told us he probably let one donee convince him he should reduce the charge.

--A station wagon with a normal service charge of $336 was picked up by the donee directly from the Federal holding activity. Instead of being charged $168, a 50-percent service charge reduction, the donee was charged $25. The SASP director explained that the donee was a good customer.

--Two identical welders were donated to two donees; one for a service charge of $50 and the other for a service charge of $500. The SASP director stated this was a mistake.

--Five identical turbochargers were donated at no charge; five others were donated for $26.10 each; and four others were donated for $50 each. The SASP director could not provide reasons for the differences in service charges.

--Transfer assemblies were donated at service charges of $74 for one, $150 for another, and $50 each for five others.

--One donee provided warehouse space for helicopter spare parts that should have been in the possession of the SASP. When parts were donated, he was credited with an amount which was usually twice the service charge he had been assessed when the parts were taken to his warehouse. The donee then could use his credit service charge balance to acquire property from the SASP.

--Shovels having an original acquisition cost of $10 were donated for a service charge of $7.50. The SASP stated that charging only $1.50, the normal service charge prescribed by the State plan of operation, would be "just like giving the shovels away."

--The SASP manufactured chairs using surplus Federal property. The chairs were donated for service charges ranging from $25 to $55 each, depending on the type of chair, even though the average cost of manufacturing them was only $12.

--The SASP was repairing and donating typewriters. Service charges were set at from $125 to $400, which represented 50 percent of the fair market value.

Somewhat similar situations were found in other States we visited. For example, we noticed a donee invoice at the Colorado SASP which showed that service charges on various items ranged from 6 to 182 percent of the donated property's original acquisition cost. When we questioned this, we were told that for desirable property, the service charge is based on what the market will bear, not on the State plan of operation.

State plans of operation provide service charge discounts when donees screen and/or pick up their donated property from the Federal holding activity. These discounts vary in different States. We found examples where these discounted service charges appeared excessive because the SASP did little more with the property than prepare and process the transfer documentation. For example, the University of Utah was charged $623 for a milling machine, originally costing $31,156, it had screened and picked up. In another example, the Wyoming State Game and Fish Department was required to pay $9,911 in service charges during 1978 for property having original acquisition costs totaling $153,290, even though the donee had screened and picked up the property.

Inadequate SASP inventory control procedures

In several States we visited, our limited tests showed that SASPs did not have inventory management and records systems to ensure adequate control over surplus Federal property in their possession. These situations are described below.

Missouri

The procedures for maintaining physical and accounting controls, as outlined in the State plan of operation, appear to be adequate. However, our review showed that the SASP was deficient in its actual control over property. In one example, various types of helicopter parts were charged to one inventory account instead of being accounted for separately by type. This account showed the acquisition cost for each item as a weighted average, which had little relationship to actual costs of individual items. Items costing several thousand dollars were mixed with items costing less than $1. This is in contradiction to the State plan which restricts such grouping to items with original acquisition costs under $100.

Massachusetts

We found that warehouse inventory control procedures were inadequate and that the potential existed for abuse. Physical inventories are not conducted regularly. The last was taken on December 31, 1976. Security was lax and opportunities to pilfer existed. Inventory record cards were inaccurate because issues were often charged against the wrong cards. The warehouse manager told us that his staff was too small to perform regular inventories without closing down the warehouse for several months. He said that the SASP could not afford the loss in fees. While we were visiting the SASP, the warehouse alarm system had been inoperable for more than 2 weeks. One night while we were there, the manager left the warehouse unlocked when he left for the day. We reported the matter to security officials and called the manager at home to inform him that the warehouse had been left open. Doors leading to all sections of the warehouse had padlocks, but they were also left open.

An October 1979 GSA audit report also cited the SASP for inadequate property controls. GSA criticized the improper accounting for and safeguarding of Federal property.

Maine

To test the adequacy of SASP inventory control procedures, we selected 25 stock record cards having property with high acquisition value and/or theft potential. The cards indicated 95 items with a total acquisition value of $70,219 had been received. We found that 81 of the items valued at $67,975 were on hand or had been issued to donees. However, 14 items valued at $2,244 could not be located at the warehouse and were not recorded as issued to donees.

Montana

We found that property withdrawn for SASP use was not accounted for accurately. In addition, loose physical controls existed over property stored at locations other than the SASP's warehouse, such as the Fort Harrison National Guard facility. While there, we noted unrestricted access to Fort Harrison and access to one storage area through an unlocked door.

Utah

We found that items withdrawn for SASP use and returned to stock were not always recorded on the accounting records. Results of physical inventories conducted by the SASP also indicated problems with physical controls over property. The SASP manager stated that inaccurate property counts in the receiving and distributing area caused the adjustments required by physical inventories.

Colorado

In Colorado, problems with the accounting control of property were evident. The SASP conducted a wall-to-wall physical inventory in September 1979. The results showed an inventory card error rate of 9.75 percent.

Connecticut

The SASP does not maintain records showing the location of surplus property items in its warehouse. In September 1979 GSA had criticized the SASP for not using a property locator system in the warehouse, pointing out that property was warehoused wherever space was available. GSA recommended implementing a property locator system so that property could be located, at least by type of commodity. The SASP director stated he had inadequate storage and did not intend to implement the recommendation.

Some donees do not use or improperly use property

The whole purpose of the Donation Program is to provide usable property to eligible donees for use in furthering worthwhile, eligible purposes. During our visits to donees in 10 States, we noted numerous instances where property acquired through the Donation Program had been properly used in support of important programs or functions.

However, we also found many instances where property had not been used, or, in our judgment, did not appear that it would be used, or had been used for purposes which did not conform to the requirements of the FPMR or the intent of the Congress. (See app. II for examples.) In some cases, our findings contradicted earlier findings of the SASP when it had reviewed or queried donees on the use being made of the same property. We were not able to use statistical sampling techniques to select items of property to be examined and, therefore, our findings may not be truly representative of the overall situation in the States visited. Also, we have no way of knowing whether proper use of donated property has increased or decreased since the Law was implemented. Nevertheless, we believe our findings, which are discussed below, indicate that greater emphasis by GSA and at least some SASPs is needed to improve donee use of property.

Donees are allowed 1 year from the date of receipt to begin using donated property. Failure to properly use the property within 1 year is a violation of FPMR. Our samples in each State included some items which had been donated less than 1 year before our visit. The results of our examination of donee property use are summarized below by State, showing separately the status of property which had been donated (1) at least 1 year before our visit and (2) less than 1 year before our visit.

Texas

We found that 63, or 57 percent, of the 110 items donated at least 1 year before our visit were being used properly. Of 128 items for which the 1 year had not expired, we found that 56, or 44 percent, were being used as intended or appeared that they would be so used.

Missouri

We found that 12, or 32 percent, of the 38 items donated at least 1 year before our visit were being used properly. Of 90 items for which the 1 year had not expired, we found that 55, or 61 percent, were being used as intended or appeared that they would be so used.

Georgia

We found that 19, or 90 percent, of the 21 items donated at least 1 year before our visit were being used properly. Of 20 items for which the 1 year had not expired, we found that 18, or 90 percent, were being used as intended or appeared that they would be so used.

Florida

We found that four, or 67 percent, of the six items donated at least 1 year before our visit were being used properly. Of 41 items for which the 1 year had not expired, we found that all were being used as intended or appeared that they would be so used.

Utah

We found that 24, or 71 percent, of the 34 items donated at least 1 year before our visit were being used properly. Of 65 items for which the 1 year had not expired, we found that 45, or 69 percent, were being used as intended or appeared that they would be so used.

Colorado

We found that 18, or 53 percent, of the 34 items donated at least 1 year before our visit were being used properly. Of 36 items for which the 1 year had not expired, we found that 31, or 86 percent, were being used as intended or appeared that they would be so used.

Montana

We found that the two items donated at least 1 year before our visit were being used properly. Of 57 items for which the 1 year had not expired, we found that 45, or 79 percent, were being used as intended or appeared that they would be so used.

States fail to comply with requirement that their legislatures develop permanent Donation Program plans of operation

At the time of our review, only three States had complied with the Public Law 94-519 requirement that they develop, through their legislative process, permanent plans of operation under which their SASPs would carry out their Donation Program responsibilities. On the basis of our review, it appears that little or no action is being taken in many States or by GSA to bring about compliance with this legal requirement.

The Law stated that, for a State to receive Federal surplus property for donation purposes after its implementation, a permanent Donation Program plan of operation must be developed in accordance with State law by the State legislature, certified by the Governor, and submitted to GSA within 270 days of enactment of the Law, or by about July 14, 1977. The Law prescribed various minimum requirements to be met by the required plans of operation. For example, these plans were to assure that:

--SASPs had adequate authority and capability to carry out their responsibilities.

--SASPs' procedures were adequate regarding property accountability, audits, donee use of property, consultation with public and private groups, reasonableness of service charges, and fair and equitable distribution of property to donees.

The legislative history of the Law shows that the Congress wanted the State legislatures to develop the plans to assure broad public input to their development through the State legislators.

If a State's permanent plan had not been developed, approved, and submitted to GSA within 270 days, the Law allowed the SASPs to operate and receive Federal property under temporary plans approved and submitted by the Governor. No final deadline was provided in the Law for submitting the permanent plans and no penalty was prescribed for failing to submit them. Similarly, the FPMR issued by GSA to implement the Law contained no deadline or penalty.

Only Idaho, Oklahoma, and Wisconsin had submitted permanent plans developed by State legislatures. Every other State continued to operate under temporary plans. Most SASP officials we met with stated they would rather continue under the temporary plans because they felt that (1) special interest groups might influence development of a permanent plan by their legislatures and (2) a permanent plan would be difficult to change because legislative approval would be needed.

GSA officials generally agreed that very few of the current temporary plans will be replaced by permanent plans. Some of these officials expressed views similar to the SASP officials mentioned above. In any event, GSA was not aggressively trying to bring about compliance by the States.

CONCLUSIONS

Implementation of Public Law 94-519 has caused greater amounts of surplus property to flow through the SASPs to donees, reversing a trend which, the Congress believed had threatened the viability of the Donation Program. This property is now being donated to a wider range of eligible tax-supported or nonprofit, tax-exempt organizations for use in support of a greatly broadened variety of eligible purposes.

However, various aspects of the Donation Program's management need to be improved to bring it more in line with the intent of Public Law 94-519 and the requirements of GSA's implementing regulations. The more important improvements needed involve the methods of allocating donable property among the States, insufficient external audit coverage of SASPs operations, inconsistent and possibly excessive service charges assessed by SASPs, inadequate control over SASP inventories of Federal surplus property, and lack of or improper use of property by some donees.

In addition, only three State legislatures had developed permanent plans of operations required by Public Law 94-519 to be followed by SASPs in managing the Donation Program. The remaining SASPs were operating under temporary plans which had not been developed through the State legislative process as intended by the Congress. GSA needs to take action to satisfy congressional objective of having all SASPs operating under permanent, legislatively developed plans.

RECOMMENDATIONS

To improve the equity and effectiveness of the Donation Program, we recommend that the Administrator of General Services:

- --Improve GSA's procedures for allocating donable property among the States by requiring the GSA allocating regional offices to accumulate and use historical information on past allocation of highly desirable reportable items of property. This information should include for each type of item the quantity, acquisition cost, and condition of property previously allocated to each State.

- --Take the necessary actions, including establishment of timetables and penalties, to require all States to comply with the provisions of Public Law 94-519, including such matters as (1) submission of permanent, legislatively developed State plans of operation, (2) accomplishment of biennial external audits which include reviews of SASPs' compliance with the State plans of operation and applicable sections of the FPMR, (3) establishment of equitable service charges, (4) proper accountability for Federal property, and (5) proper use of property by donees.

AGENCY COMMENTS AND OUR EVALUATION

Concerning our recommendation that GSA allocating regions accumulate and use historical information, including acquisition cost and condition on past allocations of highly desirable, reportable items of property, GSA responded that its current procedures require the use of this historical data. GSA provided a somewhat detailed description of how its allocation system is supposed to function. GSA stated that since its procedures require the use of historic data, including cost and condition of items previously allocated, the deficiency cited in our report must stem from a lack of adherence to existing procedures. GSA said it will bring this matter to the attention of all allocating personnel.

As previously mentioned, we recognize that GSA's procedures require that appropriate historical data be used. But at the time of our review at two allocating regions, we found that the data accumulated and used was inadequate. We will evaluate the effectiveness of GSA's corrective action during our next review.

GSA did not agree with the proposal in our draft report that it implement for all parts of the country, procedures similar to those used in the western States for SASPs to acquire nonreportable surplus property located in other States. GSA's comments recognize the longstanding problem inherent in the Donation Program that much of the surplus property is not generated in locations where it is most needed for donation. GSA acknowledged that the existence of WSSPO allows participating western States to reduce their screening costs. However, GSA also pointed out that the percentage of available surplus property donated in the WSSPO area is much lower than in the rest of the country and concluded that this low percentage is partly caused by the lack of onsite screening by more than one SASP.

GSA stated that it has considered creating "WSSPO-like" organizations in other parts of the country in the past, but it has not adopted the idea for various reasons, including the fact that most non-WSSPO States have not favored the idea.

GSA stated that other means, including increased screening by donee organizations and training of SASP and donee screeners, have resulted in a steady increase in the number of States which have acquired surplus property in amounts that met or exceeded their entitlements.1/ According to GSA, in fiscal year 1979, 35 States met or exceeded their entitlements, compared to only 26 States in fiscal year 1977 and 32 States in fiscal year 1978.

Because of GSA's comments concerning the rejection by most non-WSSPO States of the possible creation of WSSPO-like organizations in other sections of the country and the gradual increase in the number of States meeting their property entitlements, we are not recommending this specific action. However, we believe that the problem in acquiring property faced by SASPs, such as those mentioned earlier which have limited resources and in whose States relatively small amounts of surplus property are generated, is serious and needs to be alleviated.

GSA did not agree with our recommendation that action be taken to require States to submit permanent, legislatively developed State plans of operation. GSA agreed that State

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1/Percentages of total donated property determined to be the "fair share" of individual States based on population and per capita income.

plans should be permanent, but believed that the executive branch of the State government, not the legislature, should prepare such a plan. GSA pointed out that many State legislatures meet only biennially or for short periods and that to obtain the group's consensus on a plan of operation is difficult.

GSA stated that it intends to recommend an amendment to Public Law 94-519 to remove the requirement that the State plans be prepared by the State legislatures. GSA's comments do not appear to take into account that the Congress had a very specific objective in requiring preparation of the State plans of operation by State legislatures. The Senate Report on the bill that became the Public Law states, in connection with this requirement:

> "In order to directly involve as many interests as possible in the process, the committee amendment would permit State Legislatures to develop the State plans, thereby giving local organizations a more direct input through their State legislators."

Because of the complaints by various organizations--former EDA grantees, former section 514 recipients, and civil defense organizations, for example--we believe the rationale stated in the Senate Report is still valid. Until the Congress makes it clear that it no longer wants input from such groups on State plans, GSA should try to achieve the legislative requirement.

GSA's comments indicated that four State legislatures have now developed State plans. This is an increase of one (South Carolina) since the time of our review. Therefore, although GSA believes it is difficult to achieve this requirement of the Public Law, it is clearly not impossible.

Regarding our other recommendation that all States comply with the provisions of Public Law 94-519, GSA generally agreed and provided information on the current status of the various matters covered by the recommendation.

GSA informed us it has begun action to correct the problem of insufficient external audits of SASPs. According to GSA, regional office personnel have been instructed to advise SASPs that transfer of property to them may be withheld until their audits are completed.

GSA acknowledged that errors in judgment and lack of training sometimes result in SASPs assessing inconsistent or excessive service charges and that, where such errors are noted, improvement would be affected by closer GSA oversight and management and training.

GSA stated that it is taking action to improve SASP inventory control procedures as part of its general program and audit reviews. Also, GSA stated that eliminating improper use or nonuse of property by donees is a matter receiving continuing oversight commensurate with its available resources. GSA described the procedures employed in this oversight effort and stated that the specific examples of improper use or nonuse cited in our report are being reviewed and appropriate corrective action will be taken.

We appreciate GSA's response to our recommendations. Generally, we found that GSA's FPMR and guidance to SASPs have been appropriate. We recognize that the number of SASPs involved and the size of the Donation Program present a real oversight challenge to GSA. We believe the GSA employees engaged in this oversight effort are conscientious and are making diligent efforts to meet the challenge. However, we believe their tasks would be and should be much easier if the SASPs receive the external audit coverage required by the FPMR and if these audits include a thorough review of the SASPs' compliance with all provisions of their State plans of operation and applicable FPMR provisions.

GSA also offered several suggested wording changes to lend clarity to our report. For the most part, we adopted these suggestions.

SASP comments

Of the 10 SASPs visited during our review, only 4--Massachusetts, Connecticut, Texas, and Missouri--provided comments on the draft report segments we provided them. Their comments are discussed below and are included as appendixes XIX through XXII.

Massachusetts

The Massachusetts SASP did not agree with our discussion of the lax security at its warehouse and the need to improve inventory control procedures noted during our review.

We have considered these comments, but still believe that our description of the situation, as stated in the draft report, is fair and accurate as of the time of our visit to the SASP.

The SASP comments indicate that GSA officials reviewed its warehouse operations in April 1980, several months after our visit, and that these officials were satisfied with the adequacy of the inventory control procedures in effect at that time.

Connecticut

The SASP provided information to clarify two matters mentioned in our draft report, which we adopted. Also, the SASP explained that its decision not to implement a property locator system, as recommended by GSA, is based on its belief that the cost would not justify establishing a system for such a small warehouse. The SASP did not provide any data to support its position.

We believe that even in a relatively small warehousing operation, such as the one carried out by this SASP, proper inventory control requires that the accountable records reflect the storage location of property. In this regard, we endorse GSA's recommendation.

Texas

The Texas SASP comments primarily focused on the current status of actions it had taken with specific items of property discussed in our draft report which had not been properly used by donees at the time of our review. We have added the information provided to the discussions on these items in appendix II. Although we have not verified the information provided by the SASP, it appears that appropriate action has been taken with these items. As mentioned earlier, GSA has said that it will follow up on these items of property.

The SASP did not agree with our draft report statement that no external audits had been completed for States in the GSA Fort Worth regional area, which includes Texas. The SASP stated that it is audited annually by State auditors and that the 1978 audit cost the SASP nearly $9,000. Also, it pointed out that the language in our draft report concerning a limited GSA audit of the Texas and Oklahoma SASPs could suggest that donees in Texas were improperly using donated M-151 jeeps, when this was not the case.

We have reworded our discussion of the audit on the jeeps to make it clear that Texas donees were not involved in the improper use. However, regarding the performance of external audits, we contacted GSA again and were advised that, with the exception of the audit that we indicated was in process at the time of our review, the GSA Fort Worth regional office had received no reports on external audits of the Texas SASP covering operations since the implementation of Public Law 94-519. On the basis of our followup with GSA, the 1978 audit referred to in the SASP comments covered a period of operations before the Law's implementation. In commenting on our draft report in June 1980, GSA stated that by then it had received an audit report on the Texas SASP, but had rejected it as being incomplete.

The SASP also suggested that donees be allowed more than 1 year to begin using donated property, especially large machine tools or earth-moving equipment needing hard-to-obtain repair parts. The requirement that property be used within 1 year of its receipt by the donee is a legal requirement. At present, we do not have a definite opinion concerning the advisability of changing this requirement. However, we would not want to see it changed without thorough and clear evidence that it would be beneficial to the Donation Program and that exceptions to the 1-year rule would be tightly controlled to avoid donated property being idle for extended periods when other needy donees could and would use it within a reasonable time.

Missouri

The Missouri SASP strongly objected to the sections of our draft report we provided to it for comment, saying the report appeared to be negative and biased against the Donation Program.

The SASP is wrong. It is unfortunate that the SASP has interpreted the report in this way. In the report, we state that, overall, the objectives of Public Law 94-519 are being met and that the management of the Donation Program and the SASPs has been generally effective. Neither GSA nor any of the other SASPs visited during our review expressed the opinion that our draft report was negative or biased.

It would have been impractical for us to have included in this report a discussion of all of the work we performed at all of the activities visited during our review. To have done so would have resulted in a document of such size that its value to the Congress or other readers would have been questionable. Therefore, we were faced with making a judgment as to what information to include and what to exclude. We believe the report satisfies the reporting responsibility assigned us by the Public Law.

The SASP also provided comments on various specific matters discussed in the report. Concerning our discussion of the adequacy of the SASP's external audits, the SASP said that too many audits are performed and that various audit groups do not accept information developed by other audit groups. We agree that it is important that various audit groups communicate and coordinate their activities. As stated previously, we would like to be able to rely more heavily on the work of the State or public external auditors to evaluate the SASP operations. However, our review showed, for the SASPs in the area covered by the four GSA regional offices we visited, that many of the required external audits had not been performed or did not include a review of the SASPs' compliance with their State plans of operation and the FPMR.

Concerning our discussion of inconsistent and excessive service charges, the SASP indicated that, overall, its service charges averaged only 2.3 percent of the acquisition cost. According to the SASP, its primary function is to serve the donees and that judgment must be exercised in the setting of service charges for individual items of property. We agree that judgment is important in establishing service charges, but we also believe that service charges for individual items of property should be in line with the SASP's cost of acquiring and donating the property. In this regard, the Public Law states:

> "* * * Such charges shall be fair and equitable and shall be based on services performed by the State agency, including, but not limited to, screening, packing, crating, removal, and transportation."

We do not believe that wide variations in service charges for like items are in line with the intent of this provision of the Public Law. On the basis of our tests, we believe this is an area needing management attention.

Concerning our discussion of inventory control procedures, the SASP commented that one "error in judgment" does not make the entire control inadequate. We would agree with this as a general statement. However, as discussed in the report, our tests of procedures at the SASPs had to be very limited because of the broad scope of our review. On the basis of the deficiencies found during these limited tests, we believe that SASPs' inventory control procedures are an area needing management attention. Again, proper external audit coverage would be beneficial in more precisely measuring the significance of the problem and correcting it.

Concerning our discussion on the propriety of the use of property made by donees, the SASP pointed out that it was impossible to check every item and that the SASP had developed many techniques aimed at bringing about donee compliance. Again, we agree with the SASP. Assuring proper use of property is not an easy task and we acknowledge that all of the SASPs we visited were concerned with the issue. However, on the basis of our limited tests, we believe that proper use of property is still an area needing more attention on the part of GSA and the SASPs.

The SASP also provided specific comments on the individual items of donated property cited in our draft report as not being properly used at the time of our visits to donees. We have added the information provided to the discussions on these items in appendix II. The SASP stated that we indicated some items of property were not being used properly when the items had been in the possession of donees for less than 1 year. The SASP stated that such property could not be considered as improperly used until 1 year after it was donated.

We clearly stated in the draft report that donees are allowed 1 year to use property and that, therefore, all of the unused items noted were not technical violations. The implication in the SASP's comments is that we should not have checked the use of property that had not been in the possession of donees for at least 1 year. We do not agree. Had we checked only these items, it would have been possible for a donee to tell us, even if the property had never been used, that it had been used immediately upon receipt and had been used steadily for 1 year, thereby satisfying the usage requirement. Also, we wanted to assure that property shown on SASP records as having been donated was actually received by donees. This would have been difficult to do if we checked only property donated more than 1 year before our visit to the donee. In such cases, a donee could have said the property had been in use for 1 year and then disposed of.

CHAPTER 4

IMPACT OF PUBLIC LAW 94-519 ON FOREIGN ASSISTANCE PROGRAMS

Implementation of Public Law 94-519 has resulted in revised procedures for disposing of excess personal property. Under the revised procedures, certain AID programs do not have as ready access to excess property, without cost, as they had in the past. We found a general decline in the excess property made available to these programs; however, the extent to which this decline was caused by the Law's implementation is difficult to measure because other factors were also responsible for the decline.

During the Senate's consideration of the International Development Assistance Act of 1979, concern was expressed regarding the effect of Public Law 94-519 on AID programs and overseas private voluntary relief agencies. Consequently, the Chairmen and Ranking Minority Members of the Senate Committee on Foreign Relations and Subcommittee on Civil Service and General Services, Senate Committee on Governmental Affairs, asked us to fully review this area in our overall study.

The results of this review were presented to the Subcommittee and Ranking Minority Member's staffs during a briefing in February 1980 and are summarized here so that our report will be as complete as possible. In addition, we have issued a separate report on the complete AID excess property. 1/

POLICY ON USING EXCESS PERSONAL PROPERTY IN FOREIGN ASSISTANCE PROGRAMS

The Foreign Assistance Act of 1961 gave new impetus to the U.S. foreign aid program by creating AID and formalized the U.S. policy on using excess Government property in foreign aid. The policy for using excess property was included in section 608 of the act which states:

> "It is the sense of the Congress that in furnishing assistance * * * excess personal property shall be utilized wherever practicable in lieu of the procurement of new items for United States-assisted projects and programs."

1/"The AID Excess Property Program Should Be Simplified," ID-80-32, July 31, 1980.

AID's program has functioned as an outlet for excess domestic and foreign personal property; that is, excess property located in the United States and overseas, respectively. From time to time, AID has been able to use large amounts of excess property at a savings to the U.S. Government.

The several functions which comprise the excess property program are authorized by sections 607 and 608 of the act. Section 607 authorizes the transfer of services and commodities to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with AID.

In addition to stating the general policy on using excess property in our foreign assistance programs, section 608 provided that AID could

--acquire excess property before the specific need for it is known (advance acquisition);

--repair, overhaul, preserve, stock, pack, crate, and transport this property; and

--maintain a $5-million revolving fund for carrying out the foregoing provisions.

Thus, there was a clear mandate for AID to use excess property in its assistance programs. AID missions in foreign countries were responsible for ensuring that all recipients of AID-financed assistance consider acquiring and using excess property in place of new property.

Under the Federal Property and Administrative Services Act of 1949, GSA has overall responsibility for controlling excess property. The Foreign Assistance Act, however, authorized AID to obtain up to $45 million in domestic excess property in any fiscal year for AID-funded foreign assistance programs. AID also had a working agreement with DOD, under which AID had first choice of DOD excess property located overseas for the assistance program.

IMPLEMENTATION OF PUBLIC LAW 94-519

Traditionally, excess property has been distributed according to priorities. Domestic excess property no longer needed by a Federal agency was first made available to other Federal agencies. If the property was not claimed, it was declared surplus and became eligible for donation to States and other eligible donee organizations.

Before October 1977, many Federal agencies were claiming excess property for their grantees and other non-Federal organizations under a variety of separate excess property programs. Without central control, this property was not being distributed equitably. Reporting on the situation in 1974, an ad hoc interagency study group concluded that little quality property was passing through the excess property programs and becoming available for donation. Public Law 94-519 was aimed at improving the method for distributing excess property by strengthening the role of GSA, thereby centralizing control, limiting the availability of excess property to non-Federal recipients, and broadening the range of eligible donees to include many of the former non-Federal recipients of excess property. Thus, more property was expected to flow through the Donation Program and to be distributed more equitably.

To implement the Law, GSA revised its system for distributing excess property. This revision is discussed below.

Revised disposal procedures

GSA's revised system did not affect the availability of excess property for AID's internal use or the availability of domestic excess property for recipient-financed programs under section 607 of the Foreign Assistance Act of 1961. The only effects the revision had, or will have, concern (1) AID's grant program recipients for both domestic and European excesses and (2) AID's loan program recipients and recipient-financed programs including those at voluntary relief agencies, for European excesses.

Domestic excess property

In the past, AID was authorized to claim up to $45 million in domestic excess property each year for its advance acquisition program to serve its grant and loan recipients. Now, as a result of Public Law 94-519, AID is prohibited from obtaining excess property for its grant program recipients until it has been subjected to screening for the domestic Donation Program, unless it pays the Treasury 25 percent of the property's original acquisition cost. The Law granted four exemptions under which excess property could be transferred to grantees without payment of the 25-percent charge and AID's excess property program is mentioned as one of the exemptions. However, the extent to which AID is exempted is determined by the Administrator of General Services who must decide that the property is not needed for donation before it can be transferred to AID grantees.

Originally, GSA interpreted this section of the Law to apply to AID's loan program recipients as well, but the Department of Justice ruled that the Law's restrictions regarding transfer of excess property to non-Federal recipients did not apply to AID loan program recipients. Therefore, AID can continue to claim Federal domestic excess property for these programs as in the past, up to $45 million each year.

Foreign excess property

In the past, AID has had access to DOD foreign excess property throughout the world for use in foreign assistance projects before the property was screened by GSA. Public Law 94-519 amended section 402(c) of the Federal Property and Administrative Services Act of 1949 to read:

> "Under such regulations as the Administrator shall prescribe * * * any foreign excess property may be returned to the United States for handling as excess or surplus property * * * whenever the head of the executive agency concerned, or the Administrator after consultation with such agency head, determines that return of the property to the United States for such handling is in the interest of the United States * * *."

In mid-1979, GSA and DOD agreed that, beginning in October 1979, GSA would have first choice of excess property in Europe. GSA planned to prescribe priorities similar to those prescribed for domestic excess. Therefore, AID's loan program recipients will be subordinate to those of Federal agencies, and AID's grant program recipients will be subordinate to donees unless the 25-percent charge is paid. Section 607 recipients, including private voluntary relief agencies, who previously obtained European excess through AID's program, will most likely have less property available in the future. Both AID and GSA believe that much of the high quality excess property in Europe will be returned to the United States.

GSA permitted AID to retain first choice of all excess property in the Pacific and situs 1/ excess property in four specified countries--Panama, the Philippines, Korea, and Turkey.

1/Situs means the place where something exists or originates.

Situs property is not reconditioned by AID and is available on an "as is/where is" basis. Generally, the property is available only for the country where located. As a result, it does not have to go through GSA, thereby making it immediately available to AID.

IMPACT OF REVISED PROCEDURES

AID and the voluntary relief agencies, which had been receiving property through AID's advance acquisition program, see the revised procedures as resulting in less excess property being available for their assistance programs. The fact that much of the property will now be screened for domestic programs before being made available to AID will undoubtedly result in less quality property being available. However, it is difficult to measure the impact on foreign assistance programs.

AID use of excess property

Public Law 94-519 became effective in October 1977. Therefore, any effect of the Law and GSA's revised procedures would not emerge until fiscal year 1978. As the following table illustrates, acquisitions of property by AID under section 608 of the Foreign Assistance Act did decline in fiscal year 1978. However, acquisitions had also declined in fiscal year 1977--before the procedures were revised--and increased somewhat in fiscal year 1979--after the procedures were revised.

	Property acquired under AID's section 608 program		
Fiscal year	Domestic	Foreign	Totals
	(millions)		
1974	$14.7	$ 6.8	$21.5
1975	14.8	11.2	26.0
1976	16.2	8.8	25.0
1977	11.3	6.8	18.1
1978	7.5	3.2	10.7
1979	9.9	2.8	12.7

These figures do not clearly depict the situation regarding AID's acquisition of excess property because they include acquisitions of nonexcess property for which AID reimbursed owning agencies from 5 to 90 percent of cost. These acquisitions represented about 45 percent of AID's acquisitions in fiscal year 1979. However, the figures do indicate a generally declining program.

A number of events have contributed to the decline in excess property use in AID projects. In late 1978, AID studied its excess property program and identified significant problems, one of which was its lower priority for access to domestic excess property as a result of Public Law 94-519. Inflation, which increased the costs for reconditioning excess equipment, and higher transportation costs through DOD channels, were also identified.

Another major problem has been the lack of support for the program on the part of AID missions overseas. To improve the program, in 1979 AID requested 67 of its missions to identify their excess property needs; however, only 28 responded. Various missions cited the following reasons for not using excess property:

--High cost of excess property.

--Excessive time required to obtain excess property.

--Difficulty in getting spare parts for excess property.

--Projects not appropriate for using excess property.

--Foreign government officials not being interested in using excess property because of previous bad experiences with its use.

--Inadequate mission staffing and technical expertise to aggressively use excess property.

--Lack of technical expertise to maintain the property.

--Unreliability of excess equipment in comparison with new equipment.

--Insufficient excess property inventory to fill orders completely.

--Insufficient staff to meet inspection requirements for excess equipment.

--Short life of excess property.

--Foreign government officials doing a lot of the buying.

AID buys property to offset loss of excess supply

To offset what it views as a loss of domestic excess property, AID began acquiring other types of property, primarily exchange/sale property [1] and DOD material that is in long supply. Although neither of these types of property falls within the legal definition of excess property, AID is authorized to acquire "other property" by section 608 of the Foreign Assistance Act. As discussed more fully in our report on the complete AID excess property program, we believe that such other property can be acquired only to complement excess property.

For the most part, excess property can be obtained without reimbursement by AID. Acquisition of exchange/sale property and long supplies, however, results in AID reimbursing the holding agency. AID estimates that such charges range between 5 and 90 percent of the property's original acquisition cost. Although nonexcess property is more costly than excess property, AID believes it is generally of better quality. Consequently, AID has begun to use large amounts of such property in its program. The following table shows that in fiscal year 1979, AID obtained 45 percent of the property it distributes from nonexcess sources.

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[1] When acquiring replacements for certain specified items, Federal agencies are allowed to exchange or sell the items being replaced, instead of declaring them excess. Exchange allowances or sales proceeds may be applied to the payment for the replacement items.

Fiscal Year 1979 Sources Of AID's Section 608 Program

Sources of supply	Property's original acquisition cost	Percent
	(millions)	
Excess property:		
Domestic	$ 4.2	33.0
Foreign	2.8	22.0
Total	$ 7.0	55.0
Nonexcess property:		
Long-supply and shelf items	$ 4.9	38.6
Exchange/sale	0.5	4.0
Other	0.3	2.4
Total	$ 5.7	45.0
TOTAL	$12.7	100.0

Voluntary relief agencies and others

Voluntary relief agencies obtain excess property for use in projects they operate. These projects are funded either by AID, in the form of grants to these agencies, or by the relief agencies themselves. AID transfers property to the relief agencies for use on their own projects under section 607 of the Foreign Assistance Act. Other organizations which can receive property under section 607 are the American Red Cross, international organizations, and foreign governments. As holders of AID grants, the voluntary relief organizations are also authorized to receive excess property under section 608 of the act.

To receive excess property under section 607, organizations must be registered with and receive an authorization from AID. As of March 1979, only 19 of 130 registered voluntary agencies had asked for and received an authorization to receive excess property.

Projects funded by organizations, including voluntary relief agencies, authorized to receive property under section 607 have been the biggest users of excess property acquired through AID in recent years. In fiscal year 1978, they obtained about 82 percent of all situs excess property, and over the past 6 years have received an average of about 68 percent of all nonsitus excess property made available through AID.

GSA's implementation of Public Law 94-519 has upset some traditional channels of supply for voluntary relief agencies and other organizations; however, the priority of these organizations for receiving excess property has not changed except for property in Europe. Regarding domestic excess property, section 608 has always stipulated that such property was available to section 607 recipients, including voluntary agencies, only if it was not needed for donation to the States. This was not enforced until after Public Law 94-519 was implemented. Thus, any reduction of domestic property for projects funded by section 607 recipients has occurred because property of the type previously obtained by these recipients apparently is not becoming available or is being used by organizations with higher priorities.

The American Council of Voluntary Agencies for Foreign Service believes GSA's implementation of the Law has virtually cut off the excess property previously available through AID's programs. Representatives of three voluntary agencies, because of their concerns, drafted a paper detailing the problem. This paper, adopted by the Council, represents a consensus of the Council's 10 agencies, all of which have participated in AID's excess property program. The paper states, in part:

> "The Section 607 program has always been bogged down in problems of priorities and procedures. In short, it has been almost impossible for the voluntary agencies to implement any program under Section 607 of the Foreign Assistance Act, and the good intentions of Congress in this respect have been largely vitiated."

The Council believes that the voluntary agency program has collapsed and will remain so until provisions are made to assign the agencies annual minimum amounts of excess property. Such a proposal has been suggested as an amendment to the Foreign Assistance Act.

However, the consensus view of the Council members does not necessarily represent the opinion of the majority of all voluntary agencies. We met with officials representing 14 voluntary agencies who described varying experiences using excess property. Some felt that the excess property program contributed significantly to their operations abroad. Others believed that changes were necessary to make the program more useful. For some, past negative experiences seemed to linger and they were reluctant to use excess property.

Most agencies, including those that rarely used excess property, wanted to keep it as an available source of supply. Most agencies' representatives stated, however, that they did not depend on excess property to carry out their program goals. They viewed excess property as an alternative resource, to be used if an item was available that met their requirements. Most believe that reducing or eliminating AID's excess property program will have little effect on their activities overseas. Only five agencies stated that the effect would be a great loss.

CONCLUSIONS

The impact of GSA's implementation of Public Law 94-519 on AID-financed and voluntary relief agency programs is difficult to determine accurately because other factors, not directly related to the Law, have also affected these programs. GSA's implementation of the Law's provision concerning return of excess property overseas may restrict AID's access to foreign excess property in Europe. Also, the Law reduced AID's ability to obtain domestic excess property for grant-funded programs, including AID grant-funded programs of the voluntary agencies. However, usage of excess property for AID-financed programs had already declined significantly before the Law was implemented.

Receipt of excess by voluntary relief organizations for their own funded projects has declined. However, only the anticipated decline in excess European property can be attributed to implementation of Public Law 94-519. Implementation of the Law did not change the priorities of these agencies regarding domestic or other foreign excesses.

We made several recommendations concerning AID's excess property program in our separate report covering the entire program. Since the recommendations were based on matters beyond the scope of our Public Law 94-519 review, we do not repeat them in this report.

AGENCY COMMENTS AND OUR EVALUATION

In a June 16, 1980, letter, the Assistant Administrator, Bureau for Program and Management Services, provided us AID's comments on a draft of this report chapter. AID stated that the draft chapter generally agreed with our draft report on the overall AID excess program, which had also been provided to AID. AID felt that our draft of this chapter did not adequately emphasize what it perceived to be the adverse impact of Public Law 94-519 on AID's ability to acquire excess property.

AID's comments dealt primarily with the availability of domestic excess property. AID claimed that the amount of domestic excess property it had obtained declined from $9 million in fiscal year 1977, to $3.8 million in fiscal year 1978, to $1.2 million in fiscal year 1979. AID attributed this decline largely to the Law's lowering of AID's priority to obtain property for grant-financed programs.

The figures cited in AID's comments describing the decline in the amount of domestic property it obtained in fiscal years 1977, 1978, and 1979 do not agree with data provided during our review. However, as pointed out previously, we agree that a general decline exists in the amount of excess property acquired by AID. The point we are making is that this decline is attributable to other factors, in addition to the implementation of Public Law 94-519, and that the effect of the Law on AID is not easily measurable. We pointed out that AID's acquisition of property declined in fiscal year 1977--before the Law was implemented--and increased in fiscal year 1979-after the Law took effect. Also, the real impact of GSA's implementation of the Law regarding European excess property would not have been felt until fiscal year 1980. Further, for many years, the Foreign Assistance Act has authorized voluntary relief organizations and other section 607 recipients to obtain unneeded Government property only after it has been screened by the SASPs. This procedure was not changed by Public Law 94-519.

AID stated that the condition of equipment that survives screening by the SASPs and other organizations generally is so poor that it is not economically feasible for AID to recondition the property for use in its overseas projects. Further, AID stated that property it may wish to acquire for use by its grantees is not available until the last day of the entire screening period, at which time the property immediately becomes subject to sale, leaving AID no time to inspect it.

We generally agree with AID's comment concerning the low quality of the property remaining after the SASPs have completed their screening and selection of property for the Donation Program. This is a natural result of the Law's lowering AID's priority for obtaining property for its grant-funded projects. However, after commenting about the general low quality of such property and the economic infeasibility of making use of the property, AID then comments that it does not have adequate time to inspect it for use. These comments are somewhat contradictory. However, AID is authorized to screen and acquire excess property for its loan-financed projects, and we believe that an effective screening program for these projects would enable AID to identify property which would be of use to its grantees if not taken by a SASP. Having already screened the excess property before the SASPs, AID should be in a position to promptly request that such property be made available for its grantees instead of being sold.

In addition, AID commented that the Law had adversely affected the acquisition of domestic excess property by registered voluntary relief agencies and other eligible recipients under section 607 of the Foreign Assistance Act which, according to AID, now find themselves competing with AID grant-funded recipients for the culls of the Donation Program. This comment is not pertinent to the subject we are discussing--the impact of Public Law 94-519. For years, the Foreign Assistance Act has authorized section 607 recipients to obtain unneeded Government property only after it has been screened for the Donation Program. Public Law 94-519 did not affect their legal priority to obtain such property.

AID pointed out that our draft report on the overall AID excess property program contained the following two statements.

> "The only way for AID to obtain more excess property is for the Law to be changed raising the priority of its grantees above that of the States."
>
> * * * * *
>
> "We believe the only way 607 recipients can obtain more property is for the Law to be amended raising their priority above the States."

AID stated that it endorses both statements and suggested that we recommend to the Congress that Public Law 94-519 be amended to provide for the AID property requirements.

The two statements were included in our overall report; however, neither should be construed as supporting the recommendation suggested by AID. In quoting the first statement, AID overlooked the preceding sentence in the draft report, which stated: "We believe the system established by GSA for determining if property is needed by the States is consistent with the Law." Also, with the second quoted statement, AID failed to point out that the draft report also stated, regarding domestic excess property: "* * * section 608 (of the Foreign Assistance Act) has always stipulated that such property was available to 607 recipients only if it was not needed for donations to the States * * *."

Our purpose in including both quoted statements, and other information relating to them, in our overall report on AID's excess property program was to tell the Congress that we believe the current situation concerning the relative priorities of AID grantees and section 607 recipients (including voluntary relief organizations) are consistent with the intent of the Congress and current Law. The larger issue raised by AID's suggested recommendation--whether overseas programs or the domestic Donation Program should take precedence in acquiring Government property--is one that has many ramifications and, in our opinion, can be decided only by the Congress. Therefore, we are not adopting AID's suggestion.

CHAPTER 5

COLLECTION OF FEDERAL CARE AND HANDLING COSTS--NEED FOR CLARIFICATION

For many years, SASPs acquired Federal surplus property virtually free through the Donation Program. Recent action by the House Committee on Appropriations has resulted in legislation that now requires SASPs to pay a care and handling surcharge on surplus DOD property they acquire. The House Committee on Government Operations asked us to include in this report a discussion of the care and handling costs of surplus property to be donated.

SASPs GOT SURPLUS PROPERTY FREE OF COST FOR MANY YEARS

The Federal Property and Administrative Services Act of 1949 allows the transfer of surplus property to SASPs without reimbursement for any part of the acquisition cost of that property. Section 203 (j)(1) of the act authorizes Federal agencies to recover their care and handling costs for surplus property transferred to SASPs; however, they generally have not done so.

GSA is responsible for interpreting and implementing the 1949 Act. In implementing those provisions dealing with care and handling costs, GSA has narrowly defined what costs Federal agencies may recover. The act defines care and handling as the completing, repairing, converting, rehabilitating, operating, preserving, protecting, insuring, packing, storing, handling, conserving, and transporting of excess and surplus property. The FPMR, promulgated by GSA, states that only direct costs incurred in the actual packing, preparation for shipment, and loading of property donated are recoverable by the Government. GSA has determined that the costs for preserving, protecting, storing, and handling are costs that would be incurred regardless of how the property is disposed of and are, therefore, not considered directly related to the donation process. Accordingly, the costs incurred in performing these functions have been considered part of overhead or administration, and have been absorbed by the agency transferring the property.

If the recoverable care and handling costs identified in the FPMR are less than $100 for any one transfer, recovery of the amount involved may be waived. GSA officials indicated that recovery of amounts of less than $100 is considered uneconomical. These officials were not sure just how the $100 minimum limit was established. They noted, however, that before 1966, the minimum collectible amount was $15. GSA has never attempted to identify what care and handling costs Federal agencies have incurred for excess and surplus property.

Over the years, DOD, GSA, and other Federal agencies have treated most care and handling costs that would be recoverable under the FPMR as part of their overhead and have not attempted to recover them from SASPs. On occasions, they have recovered some costs but only on those surplus property transfers that require the agency to provide extraordinary services--involving labor, equipment, or material--not normally furnished in disposing of property. As a result, SASPs, in most cases, have been able to acquire surplus property without having to pay the Government anything for it.

SASPs NOW MUST PAY DOD CARE AND HANDLING COSTS

DOD generates the majority of the Government's excess property; consequently, the majority of property that becomes surplus and is transferred to SASPs under the Donation Program is DOD-owned. As a result of recent legislation, SASPs will have to pay a care and handling surcharge on this property.

DOD has an extensive property disposal system to handle its excess and surplus property. Acting through its worldwide network of property disposal offices, the Defense Property Disposal Service effects redistribution of excess personal property within DOD, assists and participates in GSA's reutilization and donation programs, and disposes of DOD's remaining surplus property through public sales. Until recently, DOD's disposal operation costs were funded, for the most part, through revenue from sales. Because of the widening gap between disposal costs and revenues, DOD, in its fiscal years 1979 and 1980 appropriation requests, asked the Congress to approve direct funding for property disposal operations.

The Appropriations Committees approved DOD's latest request for direct funding, but, at the same time, they added a general provision to the fiscal year 1980 appropriations act that significantly affects SASPs. Section 764 of the act required GSA to implement regulations requiring recovery of Federal costs of care and handling of DOD surplus property which is donated.

DEFENSE LOGISTICS AGENCY STUDY ON PROPERTY DISPOSAL TRANSFERS

On April 20, 1979, the Defense Logistics Agency (DLA) issued a report on the feasibility of implementing a standard surcharge on DOD excess and surplus transfers. In requiring GSA to implement a care and handling surcharge on DOD surplus property transferred to SASPs, the House Committee on Appropriations was influenced, in part, by the costs identified in the DLA report. DLA's report presents two alternative surcharges that could be applied to DOD property disposal transfers based on recovery of disposal operating costs related to reutilization, transfer, and donation operations. The House Committee on Government Operations asked us to evaluate the basis for the costs included in the DLA report.

DLA definition of donation costs is broader than that contained in the Law

In its report, DLA identified direct disposal processing costs which it considers related to the handling of donated property and, therefore, recoverable through a surcharge on donation transfers. We believe that some of the costs DLA identified are not recoverable under the Federal Property and Administrative Services Act of 1949.

DOD property which is not needed by the holding activity is turned over to property disposal offices. These offices receive the property and, unless it was declared scrap upon receipt, place it in storage until it is disposed of. Generally, property is disposed of in the following order:

Within DOD

--Reutilization (transfers to DOD activities).

As Government excess

--Transfer (transfers to non-DOD Federal agencies).

As Government surplus

--Donation (transfers to SASPs and donees).

--Sales.

--Scrap.

--Abandonment or destruction.

To develop surcharge alternatives based on recovery of disposal costs, DLA had to determine what costs were incurred for reutilization, transfer, and donation operations. The property disposal accounting system is not structured to provide cost data by type of disposal action. However, cost accounts have been established to accumulate data by type of work activity performed at the disposal offices. DLA identified cost accounts that provided overall operating costs associated with handling excess and surplus property. Through a series of comparative ratios, DLA allocated some or all of the costs in each of these accounts to reutilization, transfer, and donation operations. By analyzing fiscal year 1978 disposal performance data, DLA estimated that DOD incurred costs of $5.3 million for care and handling of donated property. On the basis of the acquisition cost of property donated in that year, a 2.1-percent surcharge would have to be applied to donation transfers to recoup these costs.

The 1949 Act allows recovery of only the care and handling costs associated with the donation of surplus property. Some of the cost accounts DLA used in determining the donation surcharge do not conform to the statutory definition of care and and handling as provided in the 1949 Act. Of the $5.3 million in direct expenses cited by DLA, only $2.8 million is related to care and handling as defined by the act. The other $2.5 million represented costs of accounting for and screening property. Accounting and screening are not included in the statutory definition of care and handling. Therefore, in our opinion, the costs of these functions are not recoverable under the 1949 Act. DLA officials informed us that the cost accounts used were selected not on the basis that they conformed to the the act, but because they were considered to provide direct processing costs related to the handling of excess and surplus property while it was in the DOD disposal system. They agreed that had they restricted their selection of costs to only those incurred by care and handling functions performed for donated property, their cost estimate would have been much less than $5.3 million.

ALTERNATIVE ANALYSIS OF DISPOSAL COSTS ATTRIBUTABLE TO DONATIONS

The House Committee on Government Operations asked us to determine whether care and handling cost data is available and, if it is, to discuss ways of allocating these costs to donations. Data on care and handling costs is not readily available; therefore, the following analysis is based largely on DOD's fiscal year 1978 disposal data as presented in DLA's report.

As stated previously, DLA had estimated that $5.3 million of DOD's fiscal year 1978 disposal system costs were attributable to care and handling of donated property. Using basically the same data used by DLA, we developed an alternative analysis to estimate the overall net effect on DOD's total disposal system costs that would have occurred had no DOD property been donated in fiscal year 1978. On the basis of our analysis, we estimated that DOD's total disposal system costs would have been reduced by only about $25,000 if no DOD property had been donated during that year. This analysis does not consider the increase in revenues from sales of DOD surplus property that would result from eliminating donations. Congressional intent, as evidenced by the Senate and House Committees reports on Public Law 94-519, has been to forgo revenues from the sale of surplus personal property in favor of the benefits which result from the donated property being used for worthwhile, eligible purposes.

DLA identified direct screening, accounting, care, and issue expenses associated with the handling of excess and surplus property, while it is in the disposal system. Through a series of comparative ratios, DLA applied some of these costs to reutilization, transfer, and donation actions. In our analysis, we also computed costs for the remaining disposal actions--sales, scrap, and abandonment or destruction. The following table shows our results.

Direct Costs Applicable To Disposal Actions

	Applied direct costs (millions)
Disposal action:	
Reutilization	$ 4.020
Transfer	1.642
Donation	5.283
Sales	8.363
Scrap	1.334
Abandonment or destruction	0.161
Total applied direct cost	$20.803

Of the $5.283 million allocated to the donation function in the above table, $2.112 million was for the assistance provided by disposal office personnel to SASP and donee representatives in the screening of property for donation, and the remaining $3.171 million was for the accounting and care and handling of donated property. For analysis purposes, we have accepted DLA's position that the $2.112 million attributable to donation screening assistance would not be incurred if the Donation Program were terminated.

During fiscal year 1978, about 346,000 items of DOD surplus property, originally costing $248.8 million, were donated. Assuming there had been no Donation Program, this property would have been disposed of through sale or scrapping. Such treatment would have resulted in increased sales and scrap expenses, which in that year averaged $8.40 for each $1,000 of acquisition cost of property sold or scrapped. Therefore, selling or scrapping an additional $248.8 million of property would have increased sales and scrap expenses by $2.087 million.

We compared the estimated decrease in direct costs that would have occurred, according to DLA, by eliminating donation transactions--$2.112 million--to the estimated increase in sales and scrap expenses that would have occurred because of the increased workload in those activities--$2.087 million. On the basis of this comparison, we estimated that DOD's fiscal year 1978 incremental disposal costs attributable to donations were about $25,000.

CIVIL AGENCIES ARE NOT IDENTIFYING AND RECOVERING CARE AND HANDLING COSTS FOR DONATED PROPERTY

None of the civil agencies included in our review have ever routinely accounted for or recovered the care and handling costs related to the transfer of excess, or the donation of, surplus personal property. Agency officials consider such costs to be minimal and a part of the overall costs of their property management operations.

Agency accounting records do not show care and handling costs

Agency accounting systems do not have any separate accounts to keep track of care and handling costs incurred. Most financial and budget officials that we talked to in each agency said they would be able to set up accounts needed to track these expenses, but that the property managers would have to supply detailed information on the disposition of each item of excess and surplus property. Property managers, however, did not believe it would be economically feasible to provide the required information because of the time and paperwork involved.

Care and handling costs are minimal

Officials of each agency told us the care and handling of donated property requires such little time and effort that it would be uneconomical to attempt to recover the related costs. Property that enters the Donation Program is available on an "as is" basis, and therefore is, not rehabilitated or otherwise improved. Agencies also do not routinely incur any costs that could be specifically classified as care and handling charges according to the criteria in the FPMR. Additionally, SASPs pay for all transportation expenses relating to the donation.

Objections to a care and handling surcharge

The predominant position taken by civil agency officials we talked with was that the expenses--time and paperwork--that would be incurred in identifying, billing, and collecting care and handling costs would exceed the amount that would be recovered through the imposition of a surcharge. These officials believe that a care and handling surcharge on surplus property would severely curtail the Donation Program as SASPs would be unwilling to accept items for donation if they had to pay an additional charge over and above the transportation cost they currently pay.

Agency officials further believe that the demise of the Donation Program would result in increases in their total disposal costs. They stated that if property was no longer donated it would have to be disposed of through GSA's sales program, which is more time consuming. They believe this would result in a property disposal bottleneck for the agency as property would have to be stored for longer periods. Agency officials believe the bottleneck, in turn, may require the acquisition of additional storage space, thereby increasing the agency's storage costs.

IMPACT OF CARE AND HANDLING SURCHARGE

The House Committee on Government Operations is concerned that recovery of Federal care and handling costs, in addition to the service charge already collected by SASPs, might put the Donation Program financially out of reach for many donee organizations. Therefore, the Committee asked us to provide information on how a care and handling surcharge might affect the Donation Program.

Most SASPs operate without financial assistance from their State government. Their operating costs are generally financed by a service charge which is paid by the recipient of donated property--the donee. These service charges are designed to recover the direct and reasonable indirect costs the SASP incurs in acquiring and distributing surplus property. If SASPs are required to pay a care and handling surcharge on the Federal surplus property they acquire, this cost would be passed on to donees in the form of higher service charges. Therefore, to find out how a surcharge would affect the Donation Program, we attempted to determine the potential impact on those most affected by such a charge--the donees that ultimately would have to pay it through higher service charges.

We sent questionnaires to 519 donees throughout the country. Because of time limitations, we did not attempt to apply statistical sampling methods in selecting donees to survey. Instead, we requested each SASP director to select and provide a list of names and addresses for 10 donee organizations, of various types and sizes, within their State. Fifty-two of the 54 directors responded to our request and provided the names of 519 donees.

We received 222 responses to our questionnaire. Of these, 145 were sufficiently completed, and therefore, subject to evaluation. The following discussion and statistics reflect the information and estimates provided by these donees regarding the impact that increased SASP service charges would have on their participation in the Donation Program.

Factors other than service charge affect donee decisions to acquire property

The SASP's service charge is not always the major factor donees consider in deciding what property to acquire for their organizational programs.

Generally, SASPs acquire surplus property from various Federal agencies. They arrange to have the property picked up and delivered to their distribution centers. Upon receipt at the center, property is inventoried, segregated, and placed on display. Service charges, or prices, are assessed based on the SASPs' schedule of rates. For example, a schedule of rates at one SASP we visited was as follows:

Original acquisition cost of property	Service charge rate up to
	(percent)
$ 0 to $ 250	25
$ 251 to $ 2,500	15
$ 2,501 to $10,000	10
$10,001 to $25,000	5

However, the SASPs' pricing policy may also be influenced by the item's physical condition and its marketability. Donees visit the distribution center to (1) acquire items for which their organization has a specific need and (2) shop for items which might be adapted to their needs.

We asked donees if the SASPs' service charge was the major factor in their decision to acquire property and, if it was not, what were the major factors. According to the donees, the service charge was the major factor in most cases. However, about 47 percent of the respondents replied that it was not.

Some of the other factors that donees considered in their decision to acquire surplus property were

- --current needs of the organization,
- --availability of funds in the organization's budget,
- --condition of property and cost to rehabilitate it,
- --availability of property when it is needed, and
- --usefulness or suitability of property to organization's programs.

Potential effects of increased service charges

Increased SASP service charges will reduce the amount of property acquired by donees. The amount of the reduction depends, of course, on how much the service charges increase.

In our survey, we were interested in determining whether, and how much, increases in the SASP's service charges might cause donees to reduce the amount of property they would acquire. We asked the donees to estimate the probable impact on the amount of property they would acquire if the SASP's current service charge was increased by 1 to 5 percent of property acquisition cost. The following table shows the effect of increased service charges on responding donees acquiring property through the Donation Program.

Increase in service charge	Effect of increase on respondents 0-percent decrease	1-to 9-percent decrease	10-to 89-percent decrease	90-to 100-percent decrease	No. of responding donees
(percent)	-------------------------	-------------------------	(percent)	-------------------------	-------------------------
1	80.7	2.6	13.2	3.5	145
2	65.5	5.6	21.1	7.7	142
3	48.9	3.5	32.2	15.5	143
4	41.5	3.5	35.2	19.7	[illegible]
5	38.7	1.4	28.9	31.0	[illegible]

As the table shows, any increase in service charge will cause a decrease in the amount of property acquired by donees. A 1-percent increase does not significantly affect donee participation in the program. However, increases from 2 to 5 percent cause significantly more donees to reduce their participation. At a 5-percent increase, 31 percent of the 142 donees responding would virtually drop out of the Donation Program; that is, reduce the amount of property acquired by 90 to 100 percent.

Some donees expressed concern over the effect of service charge increases based on a flat rate and applied on any item without regard to the acquisition cost of the item. A flat-rate, across-the-board increase would cause some items to be too costly for some donees. For example, one donee noted, "While it may be possible and practical to pay up to five percent of property acquisition cost for some items, it could be most impractical for any such flat fee structure for all items. Such a structure would inhibit procurement * * * at higher prices." In referring to an item with an original acquisition cost of $1,000,000, another donee noted, "If we had been required to pay, one, two, or three percent of acquisition cost ($10,000, $20,000 or $30,000), we would not have considered the purchase, * * *." After our review, DOD determined that the flat-rate surcharge for any one line item of of property would not exceed $1,000.

Although the service charge is not always the major factor that donees consider when they are selecting surplus property for their organizations, the amount of surplus property they acquire appears to be affected by increases in the service charge. If SASPs are required to pay a care and handling surcharge, they will probably have to pass this increased cost on to their donees in the form of higher service charges. On the basis of donee responses to our questionnaire, we believe that imposing any care and handling surcharge will result in reduced donee participation in the Donation Program. A surcharge greater than 1 percent of acquisition cost would probably cause a significant number of donees to reduce or end their participation in the Donation Program.

CONCLUSIONS

On the basis of our examination, we believe that:

--Although care and handling cost data is not now readily available, Federal agency accounting systems could be modified to provide such data.

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--Once these costs have been identified, they can be allocated to donations.

--DOD and/or GSA billing and collection systems can be adapted to recover these costs.

--Currently, an inconsistent policy regarding the recovery of care and handling costs is developing. DOD will recover; civil agencies will not.

--Officials of civil agencies involved in our review believe the costs of establishing the accounting and billing procedures needed to collect care and handling costs on donated property may exceed the amounts collected.

--A care and handling surcharge greater than 1 percent of acquisition cost would seriously affect the Donation Program.

We believe that the Congress should clarify certain policies regarding the recovery of care and handling costs. The Administrator of General Services has broad discretionary authority to interpret provisions of the Federal Property and Administrative Services Act of 1949. However, we believe action by the House Committee on Appropriations has raised a question as to GSA's interpretation of what care and handling costs should be recovered when surplus property is transferred under the Donation Program.

RECOMMENDATION

Accordingly, we recommend that the Congress clarify what costs it deems should be recovered under section 203 (j)(1) of the Federal Property and Administrative Services Act of 1949 so that these costs will be handled consistently throughout the Federal Donation Program.

AGENCY COMMENTS AND OUR EVALUATION

GSA did not comment on our conclusions or recommendation on care and handling costs. The Federal civil agencies involved in this portion of our review agreed with our recommendation and reiterated their beliefs that (1) devising and implementing procedures to identify and collect care and handling costs would cost more than would be collected and (2) collecting these costs would seriously reduce the amount of property donated.

In commenting on a draft at this report DOD agreed that the requirement that care and handling costs on its property be collected would result in inconsistent policies relating to donated property originating in military and civil agencies. DOD had no objection to our recommendation that the Congress clarify what costs should be recovered.

DOD stated that we had not identified which of the $5.3 million fiscal year 1978 costs determined by DLA to be applicable to donated DOD property were not collectible in view of the definition of care and handling in the 1949 Act. DOD stated that it had used direct costs associated with disposal functions that support the Donation Program and believed its selection and proration of costs were correct. DOD asked that we delete or clarify comments concerning the portion of the $5.3 million of costs that we consider to be not collectible.

As we stated in our draft report, the $2.5 million we consider to be not collectible represented costs of accounting for and screening property. Neither of these functions is included in the statutory definition of care and handling costs. We have clarified our final report to avoid any misunderstanding. As discussed previously, DLA officials responsible for the study which produced the $5.3 million cost estimate acknowledged that their selection of costs was not based on the statutory definition. In addition, DLA officials admitted that their estimate would have been much less than $5.3 million if they had restricted their selection to only costs incurred for care and handling functions.

DOD also informed us that the 2-percent surcharge planned to be levied on DOD property would be limited to $1,000 for any one line item of property. DOD decided to limit the surcharge to $1,000 for any one line item after we completed our work. Our report now recognizes this limitation.

DOD questioned statements in the draft report attributed to civil agency officials to the effect that the time and effort spent on care and handling of donated property is so small that it would be uneconomical to recover the related costs and that recovery of the civil agency costs would reduce the amount of property acquired by donees. DOD also did not agree with our conclusion that imposing a care and handling surcharge greater than 1 percent of the donated property's acquisition cost would seriously affect the Donation Program. DOD stated that applying a 2-percent surcharge, which DLA had determined to be appropriate to DOD donations, would enable civil agencies to realize recoveries totaling about $3.5 million, which DOD believes is a significant amount. DOD pointed out that donee responses to our questionnaire, as summarized on page 86, show that more than 70 percent of the donees responding indicated that a 2-percent surcharge would cause less than a 10-percent decrease in the amount of property acquired. DOD, therefore, concluded that the donees did not view the surcharge as being as serious a problem as had been widely assumed.

DOD's estimate that civil agencies would recover about $3.5 million by imposing a surcharge on their property is based on the assumption that their care and handling costs would be equal to 2 percent of the donated property's acquisition cost. As previously stated, none of the civil agencies included in our review account for care and handling costs of donated surplus property. Therefore, these agencies and we do not know what these costs amount to. Neither does DOD. Therefore, the best evidence we could identify as to the economy of these agencies' imposing a surcharge on their property was the opinions of responsible officials in the agencies. We have no basis for questioning their opinions. An additional factor, perhaps not considered by DOD, is that collecting a surcharge on civil agencies' property would entail each such agency's devising and implementing procedures to identify and collect its care and handling costs as compared to one consolidated, automated accounting and billing system which could be operated by DOD. Obviously, these fragmented systems would not be as economical as one consolidated system.

The significance of the impact of a care and handling surcharge on the amount of property that would be acquired by donees is admittedly arguable to some extent. DOD's summarization of the donee responses to our questionnaire is correct. However, the data shows that a 2-percent surcharge would cause 34.5 percent of the donees to reduce the amount of property acquired and would cause about 8 percent of the donees to virtually drop out of the Donation Program; that is, reduce the amount of property acquired by 90 percent or more. We believe this would be a significant impact. As stated above, in commenting on a draft of this report, responsible officials of the civil agencies included in this portion of our review reiterated their agreement with this conclusion.

PROVISIONS AND INTENT OF PUBLIC LAW 94-519

Public Law 94-519 was comprised of 10 sections, which are described below.

SECTION 1

This section significantly changed section 203(j) of the Federal Property and Administrative Services Act of 1949, which provides the legal basis and guidance for the donation of surplus Federal personal property to non-Federal organizations.

Under the former section 203(j), donations of surplus property could be made through the SASPs only to certain specified donees and only for purposes of education, public health, and civil defense or research related to such purposes. The Department of Health, Education, and Welfare (HEW) was required to determine that the property was usable and necessary for such purposes.

More specifically, under the old program, property could be donated to (1) tax-supported or nonprofit, tax-exempt medical institutions, hospitals, clinics, health centers, school systems, schools, colleges, universities, schools for the mentally retarded, schools for the physically handicapped, and radio and television stations licensed by the Federal Communications Commission as educational stations, (2) public libraries, and (3) civil defense organizations of any State, or political subdivision or instrumentality thereof, which were established pursuant to State law.

Public Law 94-519 considerably enlarged the activities and types of recipients eligible for property donations from SASPs. In addition to the formerly eligible recipients, property can now also be donated to any public agency for use in carrying out or promoting for the residents of a given political area one or more "public purposes." These public purposes include, but are not limited to, such matters as conservation, economic development, education, parks and recreation, public health and public safety (including civil defense). Under the Law, "public agencies" include any State (and the District of Columbia, Puerto Rico, Virgin Islands, Guam, and American Samoa), State political subdivision (including any unit of local government or economic development district), State department, agency, or instrumentality (including instrumentalities created by compact or other agreement between States or political subdivisions) or Indian tribe, band, group, pueblo, or community located on a State reservation.

Donated property received by nonprofit institutions must still be used for purposes of education or public health, including related research.

The Law removed HEW from the process of reviewing whether property to be donated is usable and necessary and assigned approval authority for all donations to GSA.

The Law requires that donated property be distributed fairly and equitably among the States, considering the property's condition, as well as its original acquisition cost. GSA was responsible for complying with this requirement. The Senate Committee on Government Operations added the language concerning fair and equitable distribution to the bill that became Public Law 94-519. In its report on the bill, the Committee pointed out that even though it had been assured that fair and equitable distribution would be required by GSA's implementing regulations, it felt "that fair and equitable distribution should be required by law. This requirement should help solve the concern of some States which do not generate large amounts of surplus property." Each SASP was made responsible for the fair and equitable distribution of property within their States based on the relative needs and resources of interested public agencies and other eligible institutions within the State and their abilities to utilize the property. The Senate Committee report explains insertion of this requirement in the bill by saying that it will "insure that the more needy recipients will receive surplus property."

The Law requires GSA to especially consider requests by eligible recipients, transmitted through the SASPs, for specific items of property. The Senate Committee report explained that this amendment was intended to reward initiative on the part of local organizations which actively search for surplus property that they need.

The Law required each State, in order to receive surplus property for donation, to develop a detailed plan of operation under which its SASP would operate. The plans were to be developed by the State legislature and certified by the Governor. Certified plans were to be submitted to GSA by about July 14, 1977. If the State could not meet this date, the Governor was required to approve and submit a temporary plan. No such plan or major amendment thereto was to be submitted to GSA until 60 days after general notice of the proposed plan or amendment had been published and interested persons had been given 30 days during which to submit comments. In the development and implementation of the plans, the relative needs and resources of all public agencies and other eligible institutions in the State were to be considered.

The Law established the following minimum requirements for the State plans of operation:

--State plans will assure that the SASPs have the necessary organizational and operational authority and capability, including staff, facilities, and means and methods of financing.

--State plans will include adequate procedures for accountability, internal and external audits, cooperative agreements, compliance and utilization reviews, equitable distribution and property disposal, determination of donee eligibility, and assistance through consultation with advisory bodies and public and private groups.

--State plans will require SASPs to use the same type of management control and accounting systems for donable property as required by State law to be used for State-owned property. However, with Governors' approval, SASPs may use other systems for donable property if they are effective.

--State plans will provide for return of still usable donable property which is not properly used within 1 year of donation or which ceases to be properly used within 1 year of being placed in use. Returned property will be available for further distribution.

--State plans will require SASPs, to the extent possible, to select specific property requested by eligible recipients and to arrange direct shipment to recipients.

--State plans must show the method of establishing SASP service charges, if such charges are established. These charges must be fair and equitable and based on direct and reasonable indirect costs of services performed by the SASPs, including screening, packing, crating, removal, and transportation.

--State plans will provide that SASPs may apply reasonable terms, conditions, reservations, or restrictions on the use of donated property and such terms, conditions, etc., will be imposed on the use of vehicles or items originally costing $3,000 or more.

- --State plans will provide that surplus property found by SASPs to be unusable in a State will be disposed of (1) through transfer to another SASP, (2) abandonment or destruction (if sale would be uneconomical), or (3) otherwise pursuant to the Federal Property and Administrative Services Act of 1949, as prescribed by GSA (most likely sale).

The Law allows GSA to impose appropriate conditions on the donation of items of property which it finds have characteristics that require special handling or use limitations.

The Law allows GSA to use the proceeds from the sale of property transferred to a State for donation but found by the SASP to be unusable by eligible recipients to reimburse the SASP for its care and handling expenses relating to such property.

The Law allows GSA, or Federal agencies designated by GSA, to enter into cooperative agreements with SASPs to facilitate the carrying out of the surplus property donation programs. Such agreements may be reimbursable or nonreimbursable and may allow GSA, or the designated Federal agencies, to use the SASP's property, facilities, personnel, and services or to furnish such resources to the SASP.

The Law allows SASPs, with GSA approval, to acquire surplus property for use in performing their functions. Title to such property may be vested in the SASP.

The Law requires GSA to submit annual reports to the Congress for each fiscal year showing the acquisition cost of all personal property donated, by State, and such other information and recommendations deemed appropriate by GSA.

SECTION 2

This section dealt with terms, conditions, reservations, or restrictions imposed on use of property donated before October 17, 1977, the effective date of the Law. Unless violated before the effective date of the Law and subjected to a judicial proceeding by 1 year after that date, these terms, conditions, etc., would become ineffective on November 16, 1977, if not reimposed by GSA. The House and Senate Committees' reports on the bill stated the following: "This will assist in an orderly transition from the present donation program to the one to be established by the bill."

SECTION 3

This section of the Law greatly changed the Government's policies and practices on the transfer of excess personal property to Federal grantees. The House and Senate Committees had expressed many concerns on the various programs under which such excess property had formerly been transferred to grantees. This section of the Law was intended to alleviate those concerns by imposing restrictive controls on the distribution of excess property in connection with Federal grants.

The Law prohibited almost all Federal agencies from obtaining excess property through GSA in order to furnish it to a grantee, unless:

--The grantee is a public agency or a nonprofit and tax-exempt organization.

--The grant is for a specific federally sponsored purpose and has a specific termination date.

--The property will be used for the purpose of the grant.

--The sponsoring Federal agency pays to the Treasury, as miscellaneous receipts, 25 percent of the property's original acquisition cost.

The Law provided that title to property transferred under the above conditions will be vested in the grantee. The property must be accounted for and disposed of in accordance with procedures governing personal property acquired under grant agreements.

The Law allowed GSA to prescribe regulations and restrictions to exempt from the general conditions outlined above, including the required 25-percent payment of original acquisition cost, grants of the following categories:

--Property furnished under section 608 of the Foreign Assistance Act of 1961, when GSA determines that such property is not needed for the Donation Program.

--Scientific equipment furnished under section 11(e) of the National Science Foundation Act of 1950.

--Property furnished under section 203 of the Department of Agriculture Organic Act of 1944, for the Cooperative Forest Fire Control Program, where title is retained in the United States.

--Property furnished to Indian tribes as defined in section 3(c) of the Indian Financing Act holding Federal grants.

The Law required every executive agency to submit an annual report to GSA on all personal property furnished in the United States to recipients other than Federal agencies. These reports are required by the Law to show the acquisition cost, categories of equipment, recipients of such property, and other information deemed necessary by GSA. GSA is required to submit to the Congress a summary and analysis of these reports. The benefit to be derived from these reports is described in the House and Senate Committees' reports on the bill in the following manner: "This requirement, for the first time, will give GSA and the Congress a ready source of information on how excess property and other property not technically excess but available for transfer to non-Federal users are, in fact, being utilized."

SECTION 4

This section of the Law gave GSA the authority to decide, after consulting with any agency possessing excess personal property overseas, whether it is in the Government's interest to return such property to the United States for handling as excess or surplus property as authorized by other provisions of law. Formerly, this decision rested solely with the Federal agency having possession of the excess property.

The Law left intact the requirement that the transportation costs incurred by returning such property must be borne by the Federal agency, SASP, or donee receiving the property.

SECTION 5

This section of the Law dealt with excess property acquired by Federal agencies, through GSA, and furnished to their grantees before the Law became effective. The Law required the Federal agencies to survey all such property and to report to GSA by about June 14, 1977, whether the property was being used by each grantee for the purpose for which it was furnished.

GSA was to transfer to the individual grantees title to all property certified by the grantor Federal agencies as being properly utilized. Property found not to be properly used was to be transferred to an appropriate SASP at its request, for donation to eligible donees. Property for which title was not transferred and which was not transferred to a SASP was to be disposed of through normal procedures--sale, abandonment, or destruction.

SECTION 6

This section of the Law repealed section 514 of the Public Works and Economic Development Act of 1965. This was a major change brought about by the Law.

The section 514 program came into existence in fiscal year 1975 as a result of an amendment to the Public Works and Economic Development Act Amendments of 1974. Under the program, Federal cochairmen of seven (subsequently increased to eight) Regional Action Planning Commissions, operating within their economic development regions as established by the Secretary of Commerce, were authorized to obtain excess property and to distribute it locally by loan or gift for economic development purposes. Recipients, which did not have to be Federal grantees, included States or their political subdivisions, tax-supported organizations, Indian tribes or units, nonprofit private hospitals, and nonprofit colleges or universities.

Both the House and Senate Committees' reports concluded that the program, in 1 year, had become the largest taker of excess property for non-Federal use and that it should be eliminated. Both Committee reports pointed out that economic development would be one of the new purposes for which surplus property could be donated and that the former section 514 recipients would be able to qualify as donees.

SECTION 7

This section of the Law resulted from GSA's takeover of HEW's functions relating to the Donation Program. OMB was told to determine which HEW personnel, property, records, and funds should be transferred to GSA to compensate for the shift in functions and to direct when they should be transferred. In addition, OMB was told to direct any other measures it deemed necessary for the transfer.

SECTION 8

This section of the Law amended title VI (General Provisions) of the Federal Property and Administrative Services Act of 1949 by prohibiting sexual discrimination in any program or activity carried on or receiving Federal assistance under the act.

SECTION 9

This section provided that the Law would become effective 1 year after enactment. Since the Law was eventually enacted on October 17, 1976, its effective date was October 17, 1977.

Originally, the House bill provided for an effective date 180 days after the date of enactment, except for sections 3 and 5--the sections limiting the acquisition of excess property for grantees and vesting title to property in existing grantees--which would become effective 300 days after enactment. The House Committee report explained that the deferrals would assure a smooth transition: the 180-day deferral would assist States, where necessary, to get required statutory authority enacted; enable SASPs to prepare for expanded operations; allow the revision, upgrading, and approval of new State plans of operation; and give GSA time to prepare or revise regulations and guidelines. The additional 120-day deferral applicable to excess property for Federal agency grantees would enable both grantors and grantees to complete necessary action for the use-certification required so that title to loaned property could be transferred.

As a result of a Senate amendment, the final 1-year deferral was adopted. The Senate Committee report explained that a longer deferral would allow the State legislatures an opportunity to develop the State plans of operation and would permit a more orderly transition to the new, consolidated program, especially on the part of local organizations now participating in the economic development excess property programs. According to the Senate Committee report, these local organizations would be able to take advantage of their investment in the excess property programs during the 1-year deferral.

SECTION 10

This section of the Law prescribed the reporting requirement imposed on us and GSA, which is quoted below.

> "Sec. 10. Not later than thirty months after the effective date of this Act, and biennially thereafter, the Administrator and the Comptroller General of the United States shall each transmit to the Congress reports which cover the two-year period from such effective date and contain (1) a

full and independent evaluation of the operation of this Act, (2) the extent to which the objectives of this Act have been fulfilled, (3) how the needs served by prior Federal personal property distribution programs have been met, (4) an assessment of the degree to which the distribution of surplus property has met the relative needs of the various public agencies and other eligible institutions, and (5) such recommendations as the Administrator and the Comptroller General, respectively, determine to be necessary or desirable."

EXAMPLES OF PROPERTY NOT BEING USED OR NOT BEING PROPERLY USED BY DONEES

TEXAS

--Donee: Dixie Volunteer Fire Department

(Property items: two scooters; acquisition cost: $2,000; donation period: less than 6 months)

These items had been taken to a fireman's home to be repaired. The donee representative told us the scooters would be used as children's toys. The scooters did not serve a useful purpose in the fire department's operations. The SASP subsequently informed us that the scooters have been returned for redonation.

--Donee: Zvala County Courthouse

(Property items: 856 heating stoves; acquisition cost: $84,553; donation period: more than 12 months)

These items were distributed to the residents of a south Texas town. The donee representative told us that $25 was collected for each stove distributed.

--Donee: Community Action Corporation of Wichita Falls

(Property items: two refrigerators; acquisition cost: $5,000; donation period: less than 6 months)

These items were repaired and then stored, pending receipt of funding for expansion of the activity's kitchen. The donee representative did not know when or if the expansion will be funded. The SASP subsequently informed us that if the refrigerators were not placed in use within 1 year, the donee would return them.

--Donee: The Museum of Fine Arts, School of Art, Houston

(Property items: two trailer-mounted compressors; acquisition cost: $13,500; donation period: more than 12 months)

These items had been cannibalized. Although permission had been obtained to cannibalize only one of the compressors, both were cannibalized and incorporated into art projects.

One trailer was located at an instructor's residence and was used for personal use. The SASP subsequently informed us that the compressors were put into use at the museum.

--Donee: City of Brownfield

(Property item: crane; acquisition cost: $14,200; donation period: more than 12 months)

This item had never been used by the donee. Before our visit, the donee had certified to the SASP that the item was in use. The SASP subsequently informed us that the crane had been put into use by the city.

--Donee: Anton Independent School District

(Property item: all-terrain vehicle; acquisition cost: $689; donation period: 7 to 12 months)

This item was acquired to use when connecting the sprinkler system for the football field. At the time of our visit, a school employee had the vehicle at his residence for his grandchildren to play with. The SASP subsequently informed us it had required the donee to return the vehicle.

--Donee: City of Big Spring

(Property item: electronic testing equipment; acquisition cost: $2,387; donation period: more than 12 months)

This item had been loaned to a local TV cable station. The donee representative told us that he was unaware of the restrictions which prohibited the loan of the equipment. The SASP subsequently informed us that the donee had advised it that the item had been repaired by the TV station and that it was used.

--Donee: Lubbock Christian College

(Property item: electronic test set instrument; acquisition cost: $5,000; donation period: less than 6 months)

This item had not been used. The donee representative told us he did not know how to use the item. The SASP subsequently informed us that the donee had returned the property.

--Donee: Washington County

(Property item: crane shovel; acquisition cost: $67,300; donation period: more than 12 months)

This item had never been used by the donee. The crane is missing an engine and a transmission. The SASP subsequently informed us that the donee would return the property.

--Donee: City of Lameda

(Property items: two shelter domes; acquisition cost: $8,000; donation period: more than 12 months)

These items had never been used. The SASP subsequently informed us that the city was using the domes as shelters for gas pumps.

--Donee: The University of Texas at El Paso

(Property item: air compressor; acquisition cost: $30,938; donation period: more than 12 months)

This item had never been used by the donee. The donee representative told us that the item has a diesel engine which must be replaced with an electric motor. He said he did not know when the item might be used. The SASP subsequently informed us that the compressor will be returned if it can not be made operable.

--Donee: East Texas State University

(Property item: electric forklift; acquisition cost: $4,563; donation period: more than 12 months)

This item had never been used by the donee. The donee representative told us the item needed repairs, but it did not know when they might be made. The SASP subsequently informed us that the needed repair parts had been obtained and the forklift was put into use.

MISSOURI

--Donee: Linn Technical College

(Property items: six sets of helicopter main rotary blades; acquisition cost: $25,674; donation period: 7 to 12 months)

The donee representative told us that these blades, although usable, were being cut into small pieces for use in a blade repair course. We located the six cases in which the blades had been shipped, but could identify only two sets of blades. The SASP subsequently informed us that the property was being used for training purposes as stated by the donee.

--Donee: University of Missouri - Rolla

(Property items:

--milling machine; acquisition cost: $11,019; donation period: 7 to 12 months

--solder machine; acquisition cost: $21,335; donation period: 7 to 12 months

--grinding machine; acquisition cost: $3,305; donation period: 7 to 12 months)

Of these items, the milling and grinding machines had never been used; in fact, they were stored outside. The university had previously certified to the SASP that these items were being used to make parts for scientific equipment. The university also had certified that the soldering machine had been cannibalized. We found this had not been done. The SASP subsequently informed us that corrective action had been taken concerning this property. We do not know the nature of the corrective action.

--Donee: State Fair Community College

(Property items: seven hydraulic test stands; acquisition cost: $21,000; donation period: 7 to 12 months)

Five of these stands had been completely disassembled. The donee had reported to the SASP that all seven were operational. A college official stated that two stands will be used in a machine technology course to be taught next semester. The residue from the five disassembled stands will be used for spare parts. The SASP subsequently informed us that it agreed with our findings, but that, overall, this donee properly used many items of donated property.

--Donee: Northeast Missouri State University

(Property item: grinder; acquisition cost: $3,305; donation period: 7 to 12 months)

This item had never been used because the item was wired for 440 volts and would have to be converted to 220 volts before it could be used. The donee had previously reported to the SASP that the item had been put in use in March 1979. In commenting on our draft report, the SASP did not specifically mention this item of property.

--Donee: Miller R-2 School, Farm Co-op Class

(Property items:

--welder; acquisition cost: $1,573; donation period: less than 6 months

--generator; acquisition cost: $2,385; donation period: less than 6 months)

These items were being used by the students for their personal use. Veterans enrolled in a Veterans Administration-approved farm co-op class being taught at the school were going to the SASP and getting property for their own personal use. The SASP service charge was billed to the high school, and the veterans then paid the school. This noncompliance had previously been noted by the SASP.

--Donee: School of the Ozarks

(Property items: seven flight simulators; acquisition cost: $175,000; donation period: more than 12 months)

These items had never been used. A school official stated that they had been acquired for use in a flight training class. The school discovered after picking up the simulators that they were in poor condition and of such early vintage that they were of no use to the school. The SASP subsequently informed us that this property had been returned and sold by GSA.

--Donee: City of Neosho

(Property item: semitrailer; acquisition cost: $5,822; donation period: 7 to 12 months)

The item had never been used. The donee had told the SASP in April 1979 that he wanted the SASP to take the item back because it would not be used. At the time of our visit in October 1979, the city still had the trailer and was not using it. In commenting on our draft report, the SASP did not specifically mention this property item.

--Donee: Monroe City

(Property item: helicopter quill assembly; acquisition cost: $1,178; donation period: more than 12 months)

This item was not in use. In fact, the city had no helicopter. The SASP subsequently informed us that it had reported this situation to GSA for further investigation.

UTAH

--Donee: West Millard Hospital

(Property item: arc welder; acquisition cost: $1,151; donation period: more than 12 months)

This item had been loaned to a local welding company since its donation. It was being used in the normal course of the company's business. The welding company does some work for the hospital in return for the use of the arc welder.

--Donee: West Millard Motor Posse

(Property item: trailer; acquisition cost: $11,845; donation period: less than 6 months)

This item was given by the donee to the Melville Irrigation Company. The irrigation company is not authorized, and may not be eligible, to participate in the Donation Program. The trailer is being used to haul weed-control tanks. The donee representative told us that he was not familiar with SASP restrictions on the use of donated property. Also, Motor Posse members had obtained hardware from the SASP for use on their farms and had obtained footlockers to use as toy boxes for their children.

--Donee: Eskdale High School

(Property item: tank truck; acquisition cost: $22,584; donation period: more than 12 months)

This item was located in the donee's scrap yard. The donee representative told us that the truck was used for parts; however, the donee had previously certified to the SASP that the truck would be used to haul fuel. The SASP had not authorized the donee to cannibalize the truck. This donee had obtained 17 other items of donated property, having total acquisition costs of $88,691, which it was not using and did not plan to use. The items had been given to the Eskdale community, which was not authorized to receive donated property.

--Donee: Iron County Civil Defense

(Property item: ambulance; acquisition cost: $8,061; donation period: more than 12 months)

This item had never been used by the donee. It was in need of repair, and the donee representative told us a former county official had not wanted to spend money for the repair. The 1-year period for placing the item in use had expired.

--Donee: Notre Dame School

(Property item: warehouse tractor; acquisition cost: $300; donation period: 7 to 12 months)

This item had been loaned to a local commercial business firm. The donee representative told us the business firm had agreed to repay the loan of the tractor by painting it, furnishing a new battery, mounting a snowplow on it, and giving it general maintenance.

COLORADO

--Donee: Ute Water Conservancy District

(Property item: arc welder; acquisition cost: $2,476; donation period: more than 12 months)

This item had not been used since being donated. The donee representative told us the item needed repair. The 1-year period during which the item was required to be used had expired.

--Donee: Delta-Montrose Area Vocational/Technical School

(Property item: truck; acquisition cost: $3,790; donation period: more than 12 months)

This item was in need of repair and had not been used since it was donated. The donee representative told us the truck would be used if repair parts were found. The 1-year period during which the item was required to be used had expired.

(Property item: truck; acquisition cost: $4,216; donation period: more than 12 months)

This item, although operable, had not been used since it was donated. The donee representative had no explanation as to why it was not being used. The 1-year period during which the item was required to be used had expired.

--Donee: Colorado City Metropolitan Recreational District

(Property item: engine; acquisition cost: $552; donation period: more than 12 months)

This item had not been used since it was donated. It was found still in its shipping container. The donee representative told us it would be used in the future. However, the 1-year period during which the item was required to be used had expired.

MONTANA

--Donee: Cascade Rural Volunteer Fire Department

(Property item: forklift; estimated acquisition cost: $1,500; donation period: less than 6 months)

This item was located in a vacant lot and clearly not in use. The donee representative told us that the item had not been and would not be used but would be sold.

(Property item: forklift; estimated acquisition cost: $3,800; donation period: less than 6 months)

This item had been repaired and was being rented to a commercial feed store.

(Property item: forklift; estimated acquisition cost: $3,000; donation period: less than 6 months)

This item also had been repaired and was being rented to the commercial feed store.

--Donee: Mount Ellis Academy

(Property item: crane; acquisition cost: $2,500; donation period: less than 6 months)

This item had not been used. The donee representative told us the item would be repaired and used in the construction of a church. The donee is eligible as an educational organization and is authorized to use donated property only for educational purposes.

--Donee: Lewistown

(Property items: 10 trailer units; acquisition cost: $49,750; donation period: 7 to 12 months)

These items had not been used by the donee. Instead, the donee was leasing a portion of the trailer space to the U.S. Geological Survey. The SASP manager had previously notified the donee that leasing the space was not allowed. However, the donee had continued to lease the space and tried to hide this fact.

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United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON CIVIL SERVICE AND
GENERAL SERVICES
WASHINGTON, D.C. 20510

June 22, 1979

Elmer B. Staats, Comptroller
General
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Staats:

During the consideration of S. 588, the International Development Assistance Act of 1979, Senators Javits and Pryor engaged in a colloquy regarding the experience of the Agency for International Development and private voluntary organizations with regard to excess federal property. Moreover, it was agreed that the General Accounting Office study being made pursuant to Public Law 94-519 should provide information that would be very useful in considering this issue.

Because of the schedule for hearings of the Foreign Relations Committee on the 1980 Foreign Assistance bill, information regarding the Agency for International Development and private voluntary organizations will be needed earlier than the April 17, 1980 deadline for the complete study under Public Law 94-519.

We, therefore, request that the portion of the Public Law 94-519 study that relates to the Agency for International Development and private voluntary organizations, together with such additional information as is necessary to give a full review of the experience of those agency programs under current law, be provided by January 17, 1980. We also request that the report be made to both the Foreign Relations Committee and the Civil Service and General Services Subcommittee of the Governmental Affairs Committee.

Elmer B. Staats - Page Two

We call your attention to pages S7957 and S7958 of the Congressional Record for a discussion of this matter. If we can provide additional information, please contact us.

Sincerely,

Ted Stevens

Ted Stevens
Ranking Minority Member
Civil Service and General
Services Subcommittee

David Pryor

David Pryor
Chairman, Civil Service and
General Services Subcommittee

Jacob K. Javits
Ranking Minority Member
Foreign Relations
Committee

Frank Church

Frank Church
Chairman, Foreign Relations
Committee

Enclosure

the smallness of the amount. Applied in the right places, it can do a lot, especially to see that previously approved sales are in fact consummated, despite Sudan's extreme economic and foreign exchange difficulties, which has required Sudan to accept strict conditions from the IMF.

So I hope, Mr. President, that Senator McGovern, my colleague for the majority, might consider favorably the adoption of this amendment. It could make possible the early receipt of urgently needed equipment. Sudan's security situation has been gravely jeopardized in recent months by an enormous influx of refugees from Eritrea and Uganda, which severely complicates its border security problems.

I yield to the Senator from Florida.

Mr. STONE. Mr. President, I join in sponsoring this amendment with the distinguished senior Senator from New York, who has just led a mission to the Sudan and viewed the situation in person.

We are in a series of Middle East negotiations in which one of the most important contests is between moderates and rejectionists who oppose the Sadat negotiating process, and the moderate Arab States, only a few in number, which support it. The pressure on those moderate Arab States which support the Sadat negotiating process is strong. But it is mainly psychological; and the greatest way we have of supporting the Sadat negotiating process as to the contest I have just described is to go on record tangibly and in every other way in support of those moderate states in the Arab world which are themselves standing up for the peace process so important to the goals of the United States and the Middle East in resisting Soviet penetration and in resisting radicalization of the area.

This amendment will help us do that, because it will not only reassure the leadership and the citizenship of the Sudan that the United States admires, respects, and supports their courage in standing up for the Middle East peace process, but that we do so tangibly, and not merely once, as we did a few weeks ago, but repeatedly, to insure that we, the United States, can be deemed a reliable ally of our friends and associates in the Middle East and around the world.

I therefore hope not only that the committee and the Senate will accept this amendment, but that the conference will accept this amendment. It will do a lot for the U.S. role in the Middle East, to show that we mean business and support our friends.

Mr. JAVITS. I thank my colleague very much.

Mr. President, I have just one further brief word of explanation. We figure on $1 million as covering additional equipment and $700,000 to cover transportation costs which have accrued on the $5 million in foreign military sales credits which we have provided the Sudan in fiscal 1979. Inflation and balance of payments problems for that country have eaten heavily into the $5 million credit program which we have already given. That is the composition of the $1.7 million figure. High priority shouuld go to such items as bulldozers, jeeps and spare parts.

Mr. President, the problems of the Sudan are enormously complicated by the fact that it has taken tens of thousands of refugees from Eritrea which is being "pacified" by Ethiopia with the aid of Cubans, and about 100,000 refugees have come over from Uganda into Sudan's already volatile southern provinces. Up until the early 1970's there was war between the north and the south in the Sudan and the refugee influx could unsettle that situation, especially if Libya, which backs Idi Amin and opposes Sudan's support of Sadat, tries to stir up trouble.

For all of these reasons, Mr. President, I hope the majority may see fit to accept this amendment.

Mr. McGOVERN. Mr. President, I agree with everything the Senator from New York and the Senator from Florida have said about the importance of us providing some modest assistance to the Sudan at this time. I only wish that our own budget pressures were not so intense so that we could do more. If there is any legitimate claimant on American understanding and support at this time in Africa, it is the Sudan. Senator Stone and Senator Javits have both drawn attention to the role the Sudan has played in supporting President Sadat's initiatives for peace in the Middle East. But beyond that, the Sudan is a vitally important country in its own right. It is the largest country in terms of land mass on the African Continent. It has one of the best records on human rights of any country in Africa. Under the leadership of President Numayri it has peacefully and successfully terminated the 17-year civil war.

It serves as a bridge between the African world on the one hand and the Arab world on the other. In that sense, it is crucial to our hopes for stability of the Middle East and also throughout Africa. Senator Javits has said it has an unstable border situation today. It has been overrun with refugees from the war in Uganda. The Chad civil war is waging next door. There is the problem with the Eritrea refugees.

All of these things, including the difficulty with Ethiopia, have placed new pressures on Sudan.

A few days ago the Foreign Minister of Sudan, Dr. Francis Deng, called in my office and urged consideration for a much larger American aid response to the needs of the Sudan.

It is my understanding that he will see Senator Javits and other Senators this week.

The Sudanese Ambassador accompanied him, and I told them that because of the budget pressures we are operating under this year and the fact that it is already late in the legislative year, it would be difficult for us at this point to look for larger economic assistance. But I think this very modest proposal that Senator Javits has made is one that the Senate and the Congress ought to accept.

I think our colleagues know that Senator Javits gave up his Memorial Day recess to make a very strenuous trip to the Sudan at the request of the Congress and with the full support of the President and the administration to look at the situation there.

What he has to say on these problems is more up to date and more current than any of the rest of us are capable of bringing to bear on the problem.

For all of these reasons, Mr. President, I not only support his amendment but I very much hope it will be adopted by the Congress.

Mr. JAVITS. I thank the Senator.

Mr. President, I yield back the remainder of my time.

Mr. McGOVERN. Mr. President, I yield back the remainder of my time.

The PRESIDING OFFICER (Mr. Boren). All time has been yielded back. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. JAVITS. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. McGOVERN. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. JAVITS. Mr. President, I yield myself 5 minutes.

Mr. President, I take the benefit of the presence of the Senator from Arkansas (Mr. Pryor) is in the Chamber to address a question to him. He chairs the appropriate subcommittee of the Governmental Affairs Committee that deals with the disposal of excess government property. I ask him if he will be kind enough to comment on a problem of which I have become aware which seems to me to be worthy of his and the Senate's consideration.

It appears that, in the course of the last 2 years, we have reduced greatly the capability of AID, the government agency which we are considering today, to acquire excess U.S. Government property. Its former priority vis-a-vis the States and the other units of the Federal Government was reduced by legislation passed in 1977. It now does not have that, because it is required to put up 25 percent of the original cost of this excess property in order to get it for its purposes.

I had in mind restoring that priority, but with a limit. While there are billions of dollars involved, my amendment would have put a ceiling on AID's priority of $35 million worth of U.S. Government excess property. The private voluntary organizations, the church groups, the American Red Cross, and the many other organizations supported by United States people who are philanthropic in their outlook, which function so effectively overseas—would have been given access to $10 million worth of excess property. I realize, as I studied the question of introducing this amendment to restore the priority of AID and the private voluntary organization that other very serious problems have arisen as a result of the 1977 law. So I thought that, perhaps, instead of resolving this AID question through the introduction of an amendment at this time we might make some progress if the Senator would provide his views on the following.

That we might accelerate the time when the GAO, which is doing a study on the overall effect of the 1977 law, may be asked to complete that portion of its study dealing with the effect the 1977 law is having on the priority of AID and the PVO's. The entire study is to be completed in April 1980. I would ask that the specific portion that I am concerned about be completed in January, 1980 in order to enable the Commitee on Foreign Relations to crank the findings of the GAO report into the hearings for next year's foreign assistance bill. I think that would help us very much.

I would appreciate any other comment upon this matter by Senator Pryor, because I am sure he has the same motivation that I have, that he could make in respect of this problem.

Mr. PRYOR. Mr. President, I thank the distinguished Senator from New York and share his concern that the agencies he has discussed be given the full cooperation of other agencies to the extent consistent with current law. The missions of foreign assistance agencies have the support of Congress and we must certainly review every program that affects accomplishment of those missions.

Almost 3 years ago, Congress developed a comprehensive program for the donation of Federal surplus personal property. That legislation, Public Law 94–519, was the product of the efforts of many people, but leadership was provided by the distinguished chairman of House Government Operations Committee, Mr. Brooks, and a distinguished previous chairman of the subcommittee I now chair, the junior Senator from Georgia (Mr. Nunn).

With considerable foresight, the authors of Public Law 94–519 required a careful analysis of the effects of the statute during the first 2 years of its existence, following its effective date of October 17, 1977. Both the Administrator of General Services and the Comptroller General must submit reports within the 6 months following expiration of the initial 2 year period.

I ask unanimous consent to have printed in the Record at this time the language of the act requiring such reports.

There being no objection, the language was ordered to be printed in the Record, as follows:

Sec. 10. Not later than thirty months after the effective date of this Act, and biennially thereafter, the Administrator and the Comptroller General of the United States shall each transmit to the Congress reports which cover the two-year period from such effective date and contain (1) a full and independant evaluation of the operation of this Act, (2) the extent to which the objectives of this Act have been fulfilled, (3) how the needs served by prior Federal personal property distribution programs have been met, (4) an assessment of the degree to which the distribution of surplus property has met the relative needs of the various public agencies and other eligible institutions, and (5) such recommendations as the Administrator and the Comptroller General, respectively, determine to be necessary or desirable.

Mr. PRYOR. The Senator from New York has, with his wisdom, suggested that an additional study be made by the General Accounting Office reviewing the implementation of Public Law 94–519 together with other relevant legislation as it affects agencies covered by the Foreign Assistance Act. I think this is a good sound proposal, and a prudent way to gather information on a subject of great importance to both the Foreign Relations Committee and the Governmental Affairs Committee, particularly its Subcommittee on Civil Service and General Services which I chair. I, therefore, concur in his request.

I wish to state to the Presiding Officer and to the Senate that we do want this study to be made very quickly. I concur in the thoughts and wishes of the Senator from New York.

Mr. JAVITS. Mr. President, if the Senator will allow me, I gather, then, that the Senator would be willing to join me in whatever effective way is appropriate to make this request of the GAO.

Mr. PRYOR. I should be very proud to join with the distinguished Senator from New York in the request for this additional study that we need.

Mr. JAVITS. I thank my colleague, very much.

Mr. PRYOR. I thank the distinguished Senator from New York for his suggestion.

UP AMENDMENT NO. 270

(Purpose: To provide for payment of travel expenses related to educational purposes for dependents of employees of the State Department, the International Communication Agency, and the Agency for International Development)

Mr. MATHIAS. Mr. President, I have an amendment which I send to the desk and ask that it be considered.

The **PRESIDING OFFICER.** The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Maryland (Mr. Mathias) proposes unprinted amendment No. 270.

Mr. MATHIAS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The **PRESIDING OFFICER.** Without objection, it is so ordered.

The amendment is as follows:

On page 36, between lines 11 and 12, insert the following:

CERTAIN TRAVEL EXPENSES

Sec. 121. (a) Section 5924(4)(B) of title 5, United States Code, is amended by striking out "one annual trip each way for each dependent of an employee of the Department of State or the United States Information Agency." and inserting in lieu thereof a coma and the following: "in the case of dependents traveling to obtain secondary education, one annual trip, or in the case of dependents traveling to obtain undergraduate college education, two annual trips, each way for each dependent of an employee of the Department of State, of the International Communication Agency, or of the Agency for International Development."

(b) The amendment made by subsection (a) shall take effect on October 1, 1979.

Mr. MATHIAS. Mr. President, this amendment is a very simple one. It simply provides additional travel allowances for the college-age dependents of AID personnel. In the course of recent months Mrs. Mathias and I have been discussing the implications of the International Year of the Child and what the International Year of the Child ought to mean. It occurred to me that one of the serious questions that ought to be raised is what we are doing to our own children, the children of Americans who serve this country in various parts of the world.

Of course, the answer to that question is that we are helping to isolate children from their families; we are helping to loosen family ties, which, in a period of great change in the world, ought to be strengthened. One of the ways to strengthen family ties and to help restore the stability of families—families for whom we have a particular responsibility here, in the Senate—is to provide that these families can be reunited more often than is presently possible under existing law. We already have done this, a month ago, with respect to State Department dependents and ICA dependents, so we are merely rounding out this program in providing the additional travel for the dependents of AID families.

I hope that this amendment will be agreeable to the Senate because I think it is good policy and I think it is simple justice.

Mr. JAVITS. Mr. President, I note that this particular amendment relates to dependents of U.S. Government officials serving abroad. Considering the disruption of families which occurs and the need for getting good people, who may have children, in these top policymaking jobs, and the fact that we have to compete for talent with private business which sends people abroad and gives them privileges of this kind, the relatively small amount of money which is utilized by the United States in the process, it seems to me and to Senator McGovern, who instructed me respecting this matter just before he left the floor, that this amendment should be acceptable. At least, we certainly should take it to conference and endeavor to get the conference to approve it.

So, on behalf of both sides, Mr. President, in the absence of Senator McGovern who, as I said, instructed me before he left, I am willing to accept it for the committee.

Mr. MATHIAS. I thank the distinguished Senator from New York.

Mr. President, the Senator is right. It does deal with dependents. It involves a relatively small expenditure of funds.

Mr. JAVITS. Mr. President, I suggest to the Senator, as we are waiting for Senators to come and present their amendments, that he does not yield back his time, and I will not, but that I would rather suggest the absence of a quorum and we will adopt the Senator's amendment as soon as we get another Senator in.

Is that all right?

Mr. MATHIAS. Mr. President, I make a point of order that a quorum is not present.

The **PRESIDING OFFICER.** The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

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October 11, 1979

Honorable Elmer B. Staats
Comptroller General
General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. ~~Staats:~~ General

This concerns the Federal program to donate surplus personal property to State and local organizations for public purposes, authorized by section 203(j) of the Federal Property Act.

That section was amended in 1976 by P.L. 94-519 to consolidate many similar but separate property distribution programs and establish an orderly, efficient, and fair system under GSA acting in partnership with the States.

Section 10 of P.L. 94-519 requires GSA and GAO to submit separate reports to Congress thirty months after the effective date of P.L. 94-519 (October 17, 1977), and each succeeding two years. The reports will evaluate the Act's operation, the fulfillment of its objectives, how prior programs' needs are being met, and how the relative needs of various recipients are being met.

In connection with your work on the first report, due in April 1980, we request that you include the matter of costs of care and handling of surplus property to be donated. Section 203(j) separates such costs from the nonreimbursability specified for such transfers of property to the various State agencies for subsequent donation. There is, of course, a necessary relationship between such costs and the service charges that section 203(j)(4)(D) indicates may be collected by the State agencies from participating recipients.

-2-

Honorable Elmer B. Staats October 11, 1979

We suggest that the report also discuss types and coverages of care and handling and service charges, administrative feasibility of their application, the effect of additional required payments from the States and recipients, as well as historical and current Federal and State experience with the matter. Other points and comments you deem pertinent should be included.

By providing the above information in the context of the overall presentation, the report will place the Congress, and its cognizant committees, in a much better position to determine the need and value of any changes with respect to costs and charges.

Sincerely yours,

JOHN L. BURTON
Chairman
Government Activities
and Transportation
Subcommittee

JACK BROOKS
Chairman

General
Services
Administration Washington. DC 20405

JUNE 11, 1980

Honorable Elmer B. Staats
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Staats:

Reference is made to the General Accounting Office letter of May 12, 1980, and the enclosed draft audit report, covering the implementation and impact of Public Law 94-519 (assignment code 943179).

Our comments pertaining to the findings and recommendations of this report are enclosed.

To assist you and the Congressional Committees in the continuing review of the donation program, we have incorporated in our response details of our regulations and procedures pertaining to our operation of this program.

Sincerely,

Ray Kline

R. G. Freeman III
Administrator

Enclosure

DRAFT OF GENERAL ACCOUNTING OFFICE AUDIT REPORT COVERING THE IMPLEMENTATION AND IMPACT OF PUBLIC LAW 94-519

Recommendations contained in the draft United States General Accounting Office report on the implementation and impact of Public Law (P.L.) 94-519 (assignment code 943179) and our comments pertaining to these recommendations are outlined below. Other comments follow at the end.

CHAPTER 2 -- GOVERNMENT EXCESS PROPERTY TRANSFER PROGRAMS UNDER PUBLIC LAW 94-519

Recommendation: The Administrator of General Services require his personnel to review proposed transfers of excess property to grantees thoroughly and to return, without approval, those which do not appear proper, including nonreimbursable transfers of common use items to National Science Foundation grantees and any transfers to grantees whose eligibility apparently has expired or soon will.

Comment: Within existing regulations, the FPMR 101-43.320(c) requires all transfer orders for excess personal property for project grantees to be signed by the sponsoring agency's accountable officer and state the name of the project grantee, the grant number, the scheduled date of termination, the purpose of the transfer, and affirm that the transfer of the property is requested for use by a project grantee in accordance with the provisions of Part 101-43. FPMR 101-43.320(b)(2)(iv) provides that GSA will consider items of personal property as scientific equipment when NSF certifies that the item requested is a component part of or related to a piece of scientific equipment or is an otherwise difficult to acquire item needed for scientific research.

We will reaffirm the above FPMR requirements with the GSA regional offices to insure proper control over transfers to project grantees and continue to pay particular attention to these transfers when conducting regional management reviews. A review of transfers of excess to project grantees will be made by the FPRS regional personnel. With respect to the expiration date of the grants, we will require the regional offices to determine if the grant will be renewed or extended if the request for transfer of excess is received within 60 days of the expiration date of the grant stated on the transfer order, and GSA will initiate an FPMR amendment to require agencies to include this information on the transfer orders.

We will provide further guidance to the GSA regional offices to require reimbursement in the absence of the required NSF certification on the transfer orders for equipment that is not clearly scientific.

In the fourth line of the recommendation, we suggest that the words "... appear proper," be replaced with "...meet the FPMR requirements."

Recommendation: The heads of all Federal agencies review their plans, policies and procedures pertaining to the transfer of excess personal property to non-Federal grantee organizations and ensure that they are in full compliance with the applicable provisions of P.L. 94-519.

Comment: We concur with this recommendation.

In a July 17, 1978, letter, the heads of those agencies who had historically furnished excess property to grantees were reminded of the requirements in FPMR 101-43.320 and requested to provide copies of their regulations to GSA for review. A second letter was sent on March 6, 1980, to those agencies furnishing property to project grantees subsequent to the effective date of P.L. 94-519, again drawing their attention to the requirements in FPMR 101-43.320 and requesting that the appropriate sections of their procedures implementing these requirements be submitted to GSA for review.

To insure that past misuse of excess property by non-Federal users does not recur, GSA has proposed several FPMR amendments to tighten the controls on such transfers. We will contact those agencies who are furnishing property to grantees to request their close attention to the provisions of FPMR 101-43.320 requirements in light of this GAO recommendation.

CHAPTER 3 -- SURPLUS PROPERTY DONATION PROGRAM UNDER PUBLIC LAW 94-519

Recommendation: Improve the General Services Administration's (GSA) procedure for allocating donable property among the States by requiring allocating regions to use historical data.

Comment: Current procedures require the allocating regions to use historical data in allocating highly desirable items of property.

During the deliberations which preceded the transfer of the donation program from the Department of Health, Education, and Welfare to GSA, the Senate Committee on Governmental Affairs expressed concern that States which generate high volumes of Federal surplus personal property would acquire an inordinate share of the better property items. As a result of this, P.L. 94-519 amended section 203(j)(3) of the Federal Property and Administrative Services Act of 1949 to read as follows: "...the Administrator shall, pursuant to criteria which are based on need and utilization and established after such consultation with State agencies as is feasible, allocate such property among the States on a fair and equitable basis (taking into account condition of the property as well as the original acquisition cost thereof), and transfer to the State agency property selected by it for distribution through donation within the State..."

Considering this requirement of the law and noting that most surplus property generates at bases located in the south, southwest and western United States, the Federal Property Resources Service (FPRS) adopted an area allocation procedure which combines its 10 regional offices into four allocating zones representing areas relatively equal in surplus property generations. The four allocating areas, each consolidated under a separate Donation Branch, are as follows:

(1) Zone 1, Washington, D.C. (includes the 16 States in Regions 1, 2, 3, and the National Capital Region);

(2) Zone 2, Atlanta, Georgia (covers the 8 States in Region 4 only);

(3) Zone 3, Fort Worth, Texas (comprised of the 15 States in Regions 5, 6, and 7); and

(4) Zone 4, San Francisco, California (consists of the 15 States in Regions 8, 9, and 10).

The principal donation functions of the six nonallocating regions are to provide maximum property visibility, serve as liaison with the State agencies and authorized donee screeners, and provide other assistance as required. Having overlapping interests, the allocating and nonallocating regional offices maintain close communications to maximize the transfer of all surplus personal property. Under the supervision of the allocating region, the regional office of location allocates and approves the donation of most nonreportable property.

The Donation of Surplus Property Handbook, PRM P 4025.1, outlines the factors to be considered by FPRS when making allocations of surplus personal property. More specifically, Chapter 2, paragraph 5e(4), of the Donation of Surplus Property Handbook contains the following instruction pertaining to allocation decisions:

The quantity of property of the type under consideration which was previously or is potentially available to a State agency from a more advantageous source. This information can readily be obtained through the maintenance by the allocator of historical registers covering specific items of property having high donation potential. Each allocating office shall establish historical registers by quantities, acquisition cost, and condition code for property items to include, but not limited to, the following Federal Supply Classification groups and classes:

(a) FSC 2310 - Motor vehicles
(b) FSC 2320 - Trucks
(c) FSC 2330 - Trailers
(d) FSC 4210 - Firetrucks
(e) FSC 6115 - Generators
(f) FSG 70 - ADPE configurations
(g) FSG 24 - Tractors
(h) FSG 34 - Machine tools
(i) FSG 38 - Heavy equipment
(j) FSG 39 - Materials handling equipment

An additional source of historical information is found in the FPRS-1 computer system which has been programmed to record allocations of 26 highly desirable items. Regional allocators can use this system to obtain details of most allocations by item and State. On November 2, 1979, a memorandum was sent to all regions reviewing the instructions for the use of the FPRS-1 historical register. From this we conclude that the lack of historical reference referred to in the audit report is not due to a weakness in program procedures, rather it stems from a lack of adherence to existing procedures of long standing. This matter will be brought to the attention of all FPRS allocating personnel. Comments contained in the audit report relative to allocating activities indicate that uniform nationwide program procedures would be desirable. This observation will be reviewed with the regional offices and the State agencies in an effort to obtain their cooperation in the attainment of this goal.

We are continuously researching allocation criteria in an effort to make them more effective. A revision to that part of the Donation of Surplus Property Handbook which covers allocating procedures will be issued during the latter part of June or early July of this year. This revision clearly states that all allocations of surplus property must be based on the following:

(1) Need and useability of property as reflected in selections of property by a State agency, including expressions of need and interest on the part of public agencies or other eligible donees within the State, transmitted to FPRS through the State agency.

(2) Regions or States in greatest need of the type of property to be allocated, where a particular and important need is evidenced by a justification accompanying the expression of need.

(3) Extraordinary needs occasioned by disasters.

(4) The quantity of property of the type under consideration which was previously allocated to or is potentially available to a State agency from a more advantageous source.

(5) Performance of a State agency in effecting timely pickup or removal of property allocated to the State and approved for transfer by FPRS.

(6) Performance of a State agency in effecting prompt distribution of property to eligible donees.

(7) Equitable distribution based on the existing condition as well as the original acquisition cost of the property available for donation.

(8) Equitable distribution based on a formula of population and per capita income for each State. National entitlement percentages are recomputed every 2 years. In addition monthly Over and Under Reports are prepared which give the 12-month status for each State relative to its national entitlement percentage. This report is used as a guide by the allocator when there are competing requests for the same items of property.

As previously noted, the fact that property allocations should be based, in part, on historical data has been a program requirement since the enactment of P.L. 94-519. This requirement will again be reviewed with all allocating offices.

Recommendation: Implement screening procedures similar to those used in the western part of the United States throughout the balance of the country.

Comment: We do not concur in this recommendation.

The Western States Surplus Property Organization (WSSPO) is an administrative group consisting of 15 western states namely, Alaska, Arizona, California, Colorado, Guam, Hawaii, Idaho, Montana, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming. The organization was established during the early 1950s to provide support to the Federal operation of the surplus personal property donation program. This support includes maintenance of a clerk at the FPRS, region 9, Personal Property Division office who receives nonreportable property listings and expressions of interest from the member States and prepares them to the point of allocation by FPRS. The cost of this clerk is shared by the WSSPO States. An additional goal of the WSSPO organization is to reduce the participating States screening costs.

There are 26, Defense Property Disposal Offices (DPDO), 12 of which are major locations generating large quantities of property, and a large number of generating DOD contractors and civil agencies located in the WSSPO States. They are spread out over an area of almost 2 million square miles and are some of the highest generators of property in the nation. It is further noted that the combined national entitlement of the WSSPO States is only 15.03 percent, an average of 1 percent per State. Under these circumstances the western States' procedure of having only one State screen each generating location to develop nonreportable property listings which are circulated to the other 14 States has proven satisfactory to the member States despite the fact that the listings include only a brief noun description and the National Stock Number. Records indicate that very little property moves out of the WSSPO States to non-WSSPO States which has proven to be counterproductive to our efforts to achieve fair and equitable distribution of surplus property on a nationwide basis.

On the negative side property generated to property donated ratios at generating locations in the WSSPO area average approximately 12 percent as compared to 27 percent at generating locations throughout the balance of the country. This indicates that large quantities of donable property generating in the western States are being passed up as a result of the limited onsite screening and the brief property descriptions. As indicated above, the unique abundance of property and the unusually long distances between State agencies and the generating locations have combined to make the WSSPO program practical for that area.

In the past, consideration has been given to the establishment of "WSSPO - like" organizations in the eastern, midwest and southern areas of the country. The States in each of these areas have not been supportive of these efforts for a variety of reasons. Distances are not as great nor is property as abundant in these areas as is the case in the western States. The 12 major DPDO's located in the WSSPO area generate quantities of property which easily satisfy the total 15 percent entitlement of the member states. Twenty-two major DPDO's are located throughout the balance of the nation and these DPDO's must satisfy most of the 85 percent entitlement of the non-WSSPO States. Under these circumstances the non-WSSPO States find it to their advantage to undertake more intensive and effective onsite physical screening programs to ensure that all available property is carefully reviewed. It is known that the type and condition of the property which meets donee needs varies from State to State. Experience has shown that onsite application of an indepth knowledge of donee requirements during the screening process greatly increases program effectiveness and the ability of the State agencies to provide a high level of public service. Recognizing this fact, most State agencies have employed one or more screeners so that the preferred program of onsite screening can be performed. In cases where this has not been economically feasible, two or more States have employed the services of a single screener. It is believed that the development of such informal arrangements is preferable to establishing several additional regional state organizations which for the most part duplicate the efforts of the National Association of State Agencies for Surplus Property, add to the State agencies costs of operation and could lead to the balkanizing of the national program.

The intent of the Congress to encourage onsite screening was clearly pointed up during the Senate committee hearings which proceeded enactment of P.L. 94-519. At that time it was noted that many organizations and institutions had expressed the following concerns:

1. State governments would monopolize the better items of property.

2. Donee programs could be jeopardized if the donees were prohibited from directly searching for and acquiring specific items of property.

3. Shipment of all property to State warehouses could increase donee costs.

4. The need for surplus property is greater at the local government level than the State government level.

5. States which generate high volumes of surplus property will acquire an inordinate share of the better property.

One of the actions taken by the committee to relieve these concerns was to require that special consideration be given to requests for property which is screened by trained eligible donees. In view of this, provisions have been made for onsite donee screening. The presence of State representatives during such screenings is encouraged to provide necessary assistance and control, particularly when it is not possible for FPRS Area Utilization Officers to be present. Since June 30, 1978, the number of donee screeners has increased from 300 to 618, a growth of 106.6 percent. It is also significant that the State agencies employed 155 screeners prior to the passage of Public Law 94-519. The present 242 State agency screeners represents a 56 percent increase.

Early in Fiscal Year 1978, FPRS realized a need for a training program for State, Federal and donee screeners. FPRS personnel met with representatives of the National Association of State Agencies for Surplus Property (NASASP) and the U.S. Army Logistics Management Center (ALMC) and secured their assistance in the development of a program for training personal property screeners at the U.S. Army Logistics Management Center, Fort Lee, Virginia. The resulting course, Department of Defense (DOD) Disposal Policies and Procedures for Federal and State Screeners, has successfully provided an opportunity for screeners from Federal and State agencies, local governments, other public agencies and nonprofit educational and public health institutions to acquire valuable training leading to an acceptable level of professionalism. During Fiscal Years 1978 and 1979, the ALMC staff conducted the course 5 times at the U.S. Army Logistics Management Center, Fort Lee, Virginia. The ALMC staff also conducted this screeners training school once each at Denver, Colorado, and Phoenix, Arizona, during Fiscal Year 1979, in an effort to be of benefit to the largest possible number of program participants. The course has been scheduled for three sessions during Fiscal Year 1980.

The growth and refinement of onsite screening activities outlined above has contributed significantly to the fact that there has been a steady increase in the number of State agencies which have met or exceeded their national entitlements. During Fiscal Year 1978, 32 out of 54 State agencies met or surpassed their national entitlements, a favorable comparison to Fiscal Year 1977, when under the Department of Health, Education, and Welfare's control only 26 out of 54 State agencies met their national entitlements. In Fiscal Year 1979, improvement continued as 35 out of 54 State agencies either met or exceeded their national entitlements.

Characteristically, the donation program has been conducted with a high degree of flexibility and in close partnership with the State agencies to accommodate the day-to-day changes in policy, the economy, public needs, property availability and State agency capabilities. All State agency directors are familiar with the western States screening and allocating operation. About one year ago, during a meeting of the National Association of State Agencies for Surplus Property (NASASP) at Nashville, Tennessee, the techniques for screening and allocating surplus property, including the WSSPO procedures, were discussed. At that time it was determined that further review was necessary before any changes to the present policies and procedures relating to these activities could be considered. A committee consisting of representatives of the State agencies and FPRS was formed to undertake such a review. The findings of this committee were discussed at a subsequent meeting of the NASASP Executive Committee where it was noted that the overwhelming opinion of the non-western States was that expansion of the WSSPO concepts into their areas would not be advisable. In view of this any action on the part of FPRS to extend the screening procedures used in the western part of the United States to other areas of the country would be unilateral. Such unilateral actions are contrary to the policy of Federal/State cooperation intended by the law and they undoubtly would fail to gain the support of the States.

Recommendation: Take the necessary actions, including establishment of timetables and penalties, to require States to submit permanent, legislatively, developed State plans of operation for their State Agencies for Surplus Property.

Comment: We agree in part with the requirement of the States operating under a permanent plan, but do not concur that the plan be one which is a legislative developed plan.

As a prerequisite for participation in the donation program, P.L. 94-519 requires that each State shall develop, according to State law, a detailed plan of operation. It is the responsibility of the chief executive officer of the State to certify the plan and submit it to the Administrator of General Services for acceptance. The law further provides that temporary plans could be submitted where it was found that the State legislature could not develop a plan of operation within 270 days after enactment of the law.

We are of the opinion that the preparation of a State Plan of operation is a function of the executive branch of the government and not the legislature. This to a great extent explains the great difficulty the States have experienced to date in an attempt to obtain so called permanent plans. Many of the legislatures meet for comparatively short periods during any session and then many of the legislatures meet biennially. To obtain consensus on a plan of operation by a large group is most difficult, particularly in relation to a purely administrative function.

It is our intention to recommend an amendment to P.L. 94-519 to remove this requirement and to have the State plans prepared within the executive branch of the State government with the approval of the Chief Executive. The requirement for advertisement of the plan will be retained and comments thereon by the general public before finalization will be encouraged.

At the present time, 54 State agencies participate in the donation program, which includes the 50 States, the District of Columbia, the Virgin Islands, Puerto Rico, and Guam. Only American Samoa has elected not to establish a State agency and therefore does not pariticipate in the donation program. All State plans accepted by the Administrator as of this date are temporary plans approved by the Governor or Chief Executive Officer of the State, with the exception of the permanent plans of Wisconsin, Idaho, Oklahoma and South Carolina which were approved by their State legislatures.

During the past 2½ years, the State agencies have frequently been reminded of the requirement for the development of permanent plans of operation.

Recommendation: Take necessary actions, including establishment of timetables and penalties, to require States to accomplish biennial external audits of their State Agencies for Surplus Property as required by law and the regulations which implement the law.

Comment: We concur.

Regulations for this requirement exist and timetables are established. Since the start of FPRS administration of the donation program, 35 external audits have been completed by the States. Seven external audits are in process (Vermont, New Jersey, the Virgin Islands, Alabama, Kansas, Utah, and Hawaii). Five States submitted external audits which were found to be incomplete and were rejected (New Mexico, Oklahoma, Texas, Arizona, and Nevada). Actions have been initiated to correct these deficient audits. The Minnesota State agency's external audit is scheduled for completion during

October of 1980. Five States have not scheduled external audits and have been advised of their delinquency (Connecticut, Maine, New Hampshire, West Virginia, and California). FPRS Numbered Memorandum DPD-14-79 (Attachment 1) was issued on June 20, 1979, to remind the regions and State agency directors of the requirement for biennial external audits. This memorandum was supplemented by our memorandum of March 12, 1980 (Attachment 2), which was directed to the Personal Property Division Directors having State agencies within their regions which had not complied with the external audit requirements. These directors were instructed to advise delinquent State agencies that, in accordance with FPMR 101-44.202(e), allocation and transfer of Federal surplus property may be withheld until their external audits are completed. [See GAO note, p. 131.]

Recommendations: Take action to prevent State agencies from assessing service charges which are excessive and/or inconsistent.

Comment: Procedures to ensure reasonable and consistent service charges are established.

The Federal Property and Administrative Services Act of 1949, as amended, section 203(j)(4)(D) provides for the assessment and collection of service charges by State agencies. These charges, which are paid by the participating recipients, cover direct and reasonable indirect costs of the State agencies activities. The law requires that the method of establishing such charges shall be set out in the State's plan of operation and that such charges shall be based on services performed by the agency, including, but not limited to, screening, packing, crating, removal and transportation. In keeping with this authority, the State plans include discounts to be applied to service charges when the State agencies costs are reduced due to donee screening, pickup, etc.

As indicated in the draft report, there are instances where errors in judgment and lack of training result in the assessment of inconsistent or excessive service charges. Such practices are usually disclosed during the biennial review of the State agency by the FPRS regional office. The requirement for specific corrective action is then discussed with the director of the State agency and included in the review report which is submitted to State officials.

The schedules for service charges included in the State plans of operation must be applied with judgment. The actual value of used personal property is affected by a wide variety of factors including age, condition, potential use, availability and shipping and handling costs. Any or all of these factors can justify a modification of a service charge (usually downward) to satisfy the requirement that such charges must be fair and equitable.

Where it is noted that the judgments of the personnel of a State agency, as they relate service charges, are inconsistent, improvement will be effected by closer FPRS oversight and management and training.

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Recommendation: Take action to improve State agency inventory control procedures where they are found to be inadequate.

Comment: This is being done as part of our general program and audit reviews.

The Federal Property Act reads as follows:

> "The State plan of operation shall require the State agency to utilize a management control system and accounting system for donable property transferred under this section of the same types as are required by State law for State-owned property, except that the State agency, with the approval of the chief executive officer of the State, may elect, in lieu of such systems, to utilize such other management control and accounting systems as are effective to govern the utilization, inventory control, accountability, and disposal of property under this subsection."

Each State plan of operation contains a description of the State agency's property management control system and its accounting system. These systems must comply with the requirements of the law and they must be used by the State on a continuing basis. Compliance with this requirement is reviewed by FPRS during the biennial State agency reviews.

During Fiscal Years 1978-1979, 62 State agency reviews were completed. The only State agencies not reviewed were Massachusetts, Rhode Island, New Jersey, the District of Columbia and West Virginia. For Fiscal Year 1980, 13 State reviews have been completed and 16 more reviews are scheduled. Where accounting or property management control has been found to be deficient, the director of the State agency has been instructed to take corrective actions including alteration of the State plan of operation if necessary.

In addition to the above FPRS overview of the inventory control procedures of the State agencies, 10 audit probes have been conducted by the GSA Office of Audits, including Mississippi and South Carolina which are considered full audits. Five GSA audits are in process (Iowa, Missouri, California, Oregon and Washington). Six more GSA audits are planned (New Jersey, New York, Alabama, North Carolina, North Dakota and Wyoming). New Hampshire is also being considered for a possible GSA Audit.

Upon receipt of the reports covering these audit activities, FPRS will work with the State agencies to develop programs for correction of any inadequacies in their inventory control and property accounting procedures which are noted in the audit report.

Recommendation: Take action to eliminate the lack of or improper utilization of property by donees.

Comment: Procedures are in effect to eliminate the lack of or improper use of property by donees and is a matter of continuing oversight commensurate with available resources.

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The Federal Property and Administrative Services Act of 1949, as amended by P.L. 94-519, requires that the State plan of operation contain provisions for the recovery of donated property not put into use by the donee within 1 year of acquisition or used by the donee for 1 year thereafter. The State agency is permitted to impose its own terms and conditions on the use of donated property. In the case of passenger motor vehicles or property with an acquisition cost of $3,000 or more, the State agency shall impose terms, conditions, reservations, and restrictions in addition to the Federal requirements. The Administrator of General Services may impose special handling conditions or use limitations on items with special characteristics.

The FPMR and the State plan of operations reflect the provisions of the Act by requiring each State agency to implement an affirmative compliance program. The FPMR require documentation on each State agency distribution document of the primary purpose for which the property is to be used and the perpetuation of FPRS imposed special handling and use limitations. States are also required to conduct property utilization surveys. The State agency distribution document is the primary means by which each donee is informed by the State agency of the specific terms and conditions applicable to donated surplus personal property. The terms and conditions of the donation are printed on the back of each distribution document. The State agencies also require donees to execute Conditional Transfer Documents prior to the donation of surplus aircraft and vessels. The terms of these conditional transfer documents place vessels and noncombat aircraft under a 5-year period of restriction whereas combat aircraft are subject to restrictions in perpetuity.

To ensure State agency conformance to its State plan and its compliance responsibility, State agency operations are required to have an external audit once every 2 years and an internal audit in alternate years. In addition, FPRS conducts a review of each State agency during nonexternal audit years to evaluate the State agency's conformance to its State plan and program regulations. FPRS also has the option to conduct its own State agency audit predicated upon its determination that such an audit is necessary and due notice of the impending audit is given to the Governor.

A chapter is being prepared for inclusion in the Donation of Surplus Personal Property Handbook, which provides comprehensive guidelines for the FPRS staff and State agencies on procedures for correcting noncompliance of surplus personal property transferred to State agencies for donation to public agencies and other eligible nonprofit tax-exempt institutions and organizations (Attachment 3). [See GAO note, p. 131.]

Noncompliance, as defined in the Handbook, refers to cases involving the misuse or mishandling of donated surplus personal property conveyed under applicable provisions of section 203(j) of the Federal Property and Administrative Services Act of 1949, as amended.

The State agency has compliance responsibilities for personal property donated to public agencies and tax-exempt, nonprofit activities pursuant to the Act. Under the Act, and consistent with the provisions of the

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Federal Property Management Regulations and the State plan of operations, the State agency is authorized to convey conditional title to property donated, require donee certifications and agreements, and to impose, modify, or remove restrictions on the use of donated property, other than those imposed by FPRS.

Prior to approving transfers for donation, the regional office shall obtain State agency certification that adequate facilities exist to effect physical security and proper storage for the protection of property. The State agency, as a bailee, may be liable for Federal surplus property transferred to the agency that cannot be accounted for when inventory is taken, absent any lawful excuse for nondelivery or nonaccountability. Regional offices monitor requests and allocations for property in their area, review justifications and essential background information to warrant the transfer of special categories of property and property with a high acquisition cost which is readily marketable. The donation of this type of property by the State agency requires the authorized representative of the donee institution or organization to certify that the property will be properly safeguarded, used in accordance with the letter of intent and any special handling or use limitations imposed by FPRS, and dispensed and administered under competent supervision.

State agencies, pursuant to their State plan of operations, shall make utilization visits or obtain written utilization reports from donees giving the date donated property was placed into proper use and the nature of its continuous use during the period of restriction. When information is received which indicates or alleges that donated property is misused or mishandled, notification is immediately made by the State agency to the FPRS Regional Personal Property Division. The State agency then makes appropriate reviews of alleged noncompliance of donated surplus property. If noncompliance with the terms and conditions imposed on donated property is found, State agencies coordinate compliance activities with the FPRS regional office prior to undertaking the sale of donated property or making demand for payment of the fair value, or fair rental value, of donated property which has been found in noncompliance.

When alleged fraud or indication of fraud is indicated, a report with all known information is made immediately by the FPRS Regional Personal Property Division or State agency director as appropriate to GSA's Office of Inspector General. When State agency directors learn of a theft of Federal property under their jurisdiction, they immediately report all available information to the FPRS Regional Personal Property Division, the local FBI, and the local State law enforcement officials by telephone. Where allegations have been lodged and the donee is placed under investigation, FPRS may direct the State agency involved to temporarily defer donations of property to the donee under investigation until the investigation has been completed. Upon completion of the investigation, the deferment may be either removed or made permanent, depending upon the circumstances as determined by FPRS.

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Any funds, including the gross proceeds of sale, or the fair value, or the fair rental value of the property, derived by the State agency from enforcement of compliance involving a breach of any special handling condition or use limitation imposed on donated property by FPRS shall be remitted promptly by the State agency to FPRS regional office for deposit in the Treasury of the United States. Funds derived by the State agency from any compliance action involving any terms, conditions, reservations, or restrictions imposed on the donee by the State agency or release thereof, subject to the limitations of waivers during the period of State-imposed restriction, may be retained and used by the State agency as provided for in its plan of operation.

During the past 2 years, a total of 63 noncompliance cases were reported and opened out of the thousands of donees currently participating in the donation program. The 63 cases are separate from the noncompliance actions involving on-the-spot corrections as a result of State agency utilization reviews. Most of the noncompliance cases involved surplus property not put into use within the 1 year period, surplus property used for personal purposes, and illegal sale of property to individuals by donees. These cases were opened as a result of State agency utilization reviews, audits, or FPRS reviews of State agency operations.

Many noncompliance situations can be minimized or prevented through training of program personnel in this important area of program management. FPRS "Donation Program Eligibility and Compliance Management Course" was developed and initially held in Kansas City, October 29 through November 2, 1979, with 35 attendees. The second course was held in Carson City, Nevada, the week of April 7, 1980, in conjunction with a Regions 8, 9, and 10 GSA/State agency area conference. Additional courses will be held if resources permit.

Guidance in problem areas concerning permissable uses of property during the period of restrictions are also provided through FPRS Central Office, Donation Program numbered memoranda, issued jointly to Regional Administrators and State Agency Directors.

The controls imposed on the States and donees under P.L. 94-519, the FPMR implemented by FPRS, and the terms, conditions, reservations and restrictions set forth on the State agency distribution document provides the necessary controls for monitoring the use of property by donees.

All noncompliance activity recorded in the General Accounting Office report are being reviewed and corrective action will be taken in accordance with program procedures previously discussed.

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Other Comments

In addition to the above comments to the draft GAO recommendations, GSA offers the following comments, which are technical in nature, for the purpose of improving the overall accuracy of the report.

Page 20 - last two paragraphs: Insert the words "on the part of the sponsoring Federal agencies" after the word "determination" in the next to last paragraph and after the word "procedures" in the last paragraph. The words "...without the approval of an agency official at an administrative level higher than the project officer administering the grant" should be added to the end of the last paragraph. The FPMR states that "Pro forma approvals or disapprovals are inconsistent with the purpose of this regulation." These changes will clearly direct the comment to implementation of the FPMR requirements in 101-43.320 by the sponsoring Federal agencies.

Page 24 - last paragraph: This paragraph states that reimbursement should be required in instances where transfers of excess property to NSF grantees appear to be common-use items or have questionable applicability to scientific research. It is GSA's opinion that appearance alone is not sufficient basis to require reimbursement for these transfers, but that a statement as to the intended use of a questionable item should be required prior to approval of the transfer by GSA. Further discussion of this point follows in the next comment.

Page 25 - second paragraph: FPMR 101-43.320(b)(2)(iv) provides that GSA will consider items of personal property as scientific equipment when NSF certifies that the item requested is a component part of or related to a piece of scientific equipment or is an otherwise difficult to acquire item needed for scientific research. This provision is the basis for determining the requirement for reimbursement in the event the requested equipment is not clearly scientific. This FPMR paragraph allows limited discretion in the determination of what is scientific, and further states that: "Items of property determined by GSA to be common-use or general purpose property, regardless of classification or unit acquisition cost, shall not be transferred to the National Science Foundation for use by project grantee without reimbursement."

Since a reimbursement determination must be made on a case-by-case basis, depending on the scientific nature or application of the requested property, GSA has provided further guidance to the regional offices in the Utilization Handbook, PRM P 7800.1 which states: "Items of excess personal property determined by regional offices to be common-use or general purpose, such as typewriters, furniture, vehicles, hand tools, fuels, or metal sheets and shapes, regardless of FSG or unit acquisition cost, shall not be transferred to NSF for use by a project grantee without reimbursement." The GAO report should acknowledge the discretionary determination of scientific equipment by GSA regional offices on a case-by-case basis in accordance with the FPMR and Utilization Handbook.

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The list of items in the GAO findings shows oscilloscopes as an example of common-use items requiring reimbursement. Oscilloscopes are in FSC class 6625 which is defined as scientific equipment in FPMR 101-43.320(b)(2)(iv) and should not be included on the list.

Page 28 - first paragraph: Rewrite last sentence as follows: "Upon request and as a prior condition of approval of the transfer of excess personal property for use by project grantees, the grantor agency shall furnish GSA with copies of its published surveillance procedures and its grantee recordkeeping system."

Page 29 - first paragraph: GSA has not yet accepted DOL's procedures as adequate. A March 6, 1980, letter to DOL and several other agencies requested that the appropriate sections of their procedures implementing the recordkeeping and oversight requirements of 41 CFR 101-43.320 be submitted to GSA for review.

Page 84 - last paragraph: The decline in AID acquisition of European excess in FY 1978 and 1979, the period covered by the report, cannot be attributed to the implementation of P.L. 94-519 because the lower priority for AID in Europe was not implemented until October 1979.

We suggest the AID section of the report be edited and clarified. The sequence for issuance of property to voluntary agencies was not changed by P.L. 94-519. The report should indicate there was no impact on AID programs except those clearly mandated by the Congress; ie, AID grant programs and that GSA has the authority, after consultation with the appropriate agency head, to revise the sequence of issuance for foreign excess property under section 402(c) of the Federal Property Act.

GAO note: Attachments 1, 2, and 3 are not included in the final report.

NATIONAL SCIENCE FOUNDATION
WASHINGTON D C 20550

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OFFICE OF THE
DIRECTOR

June 27, 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group, Room 5832
441 G St. N.W.
Washington, D.C. 20548

Dear Mr. Connor:

Thank you for the opportunity to comment on the draft report of the GAO on Implementation and Impact of Public Law 94-519.

We are extremely disappointed with the predominantly negative tone of the report and the fact that it focuses almost exclusively on the mechanical aspects of the program and addresses the program's advantages only in a vague and general way. As you can imagine, the Foundation is very sensitive to any action that might tend to interfere with our efforts to assist United States universities acquire much needed instrumentation to perform first-rate research. This is particularly true at this time, when the Federal Government has recognized that our universities are lagging behind in this area. The ability to obtain excess equipment for our grantees contributes significantly to this effort not only by providing useful equipment but also by freeing monies that can be used for new instrumentation.

Our detailed comments on the various sections of the report begin on page two. However, we first want to offer several general comments concerning the overall report.

It should be noted that we were not provided a copy of the complete draft report. Only selected portions of the report were made available. Consequently, we are unaware of what the omitted sections contain. The omission is of particular concern since our position regarding the recommendations on excess property are very much dependent on how the surplus property aspects of PL 94-519 are being implemented and GAO's recommendation on this. One of our major concerns with PL 94-519 is whether the property that would have been transferred cheaply and efficiently at the excess stage is actually being distributed cost effectively for scientific research purposes at the surplus stage. We have strong reservations concerning the interest of many of the state agencies for surplus property in obtaining the type of equipment we normally acquire at excess. Our informal feedback suggests that some universities are unable to develop satisfactory working relationships with the state agencies. We suspect this may relate to the economic realities of the state agencies which may not be totally compatible with the needs of research institutions.

Another general area of concern is the failure of the report to address the appropriateness of the FPMR implementing regulations dealing with the limitation on the amount of equipment that can be obtained under a grant. The regulation provides that the amount that can be obtained without special justification is limited to the amount of the grant and is based on the original acquisition cost. The report assumes that this regulation is appropriate, despite the facts that the Law contains no such limit, and that the market value of the equipment is generally only about 10% to 15% of the acquisition cost.

A final general comment concerns the area of property use surveillance procedures. During the audit, we voiced our concern with the diametric approaches of OMB and GSA on this subject. The OMB essentially prohibits a comprehensive surveillance program with respect to new equipment purchased with grant funds and the GSA requires such a program with respect to excess property. Despite our verbal request to the GAO and written comments to GSA on the subject, there is no mention or recognition of this dilemma in the report.

Chapter 2 - General

Much of chapter 2 of the draft report concerning the impact of PL94-519 on excess property programs is based on the assumption that Congress passed this law because of "concern that significant amounts of excess personal property were being transferred by Federal agencies to non-Federal recipients when much of this property might have been needed by Federal agencies for their own internal use and that much of this property was not being used effectively by the non-Federal organizations". This assumption is not consistent with our understanding of the background leading up to passage of the Law. The Foundation was actively involved with the events leading to the enactment of PL94-519. Neither these events nor the Committee reports lend support to there being a concern that significant amounts of excess personal property were being diverted from internal agency use. The real concern was that the property being claimed by some agencies, particularly the regional commissions, was not making it into the surplus stage for distribution through State agencies. The issue, therefore, was not whether property should go to non-Federal organizations, but how--at the excess or surplus level.

Impact of Public Law 94-519 on Amounts of Excess Property Transfers.

This section of the report should be clarified to indicate that both before and after enactment of PL94-519, requests for property by NSF grantees are subject to a first call by Federal Agencies. The equipment is only made available to NSF for transfer if no other Agencies have indicated an interest.

If the purpose of the Act was to increase use of excess property by Federal Agencies, one would have to conclude from the figures provided on page 8 that the Act was a failure, since acquisitions by Federal Agencies for their own use has decreased from $881 million in 1976 to $735 million in 1979. The statement on page 8 concerning increased percentages of use by Federal Agencies is apparently a function of the decrease in excess property availability rather than an increase in the amount being taken by agencies for internal purposes.

Lack of clear determination of grantee's need for excess property.

We are pleased that the GAO staff concluded that our procedures in this area were found to be adequate.

Lack of procedures to assure that grantees do not routinely acquire property costing more than the value of their grants.

The statement at the top of page 23 concerning the level of administrative approval obtained by NSF for transfers of property in excess of grant amounts is misleading.

The intent of the requirement for approval at an administrative level higher than the Project Officer was never clearly defined. At NSF there is no direct supervisory chain between the Program Officer and the Property Officer. The Program Officer has authority to recommend that a grantee be given permission to acquire excess property, but only the Property Officer had the authority to grant this permission. We had interpreted this separation of functional responsibilities to satisfy the requirements. Accordingly, all such transfers were approved by both the Program Director and the Property Officer.

Following our discussion with the GAO representative last winter, we implemented a procedure requiring the approval of the Section Head or Division Director, in addition to the Program Director in instances where the total recommended for transfer exceeds the grant amount.

Non-reimbursable transfer to National Science Foundation grantees of property requiring reimbursement.

We certainly cannot quarrel with the statement beginning at the bottom of page 24 to the effect that many items of property transferred "appeared" to be common use items or to have questionable applicability to scientific research. However, we are concerned that the report offers recommendations and conclusions that could seriously damage the program based on"appearances" without determining whether any of the items of equipment were in fact used for other than scientific research purposes. Many items of equipment which are ordinarily thought of by laymen as general purpose equipment take on the nature of scientific equipment or components when used by a scientist. For example, armor plate from warships is used on a research project to protect against radiation; a lathe is used in developing instrumentation; a power supply is used to drive scientific apparatus; a four wheel drive vehicle is vital to the success of many archaeological undertakings or in the study of wild animals; boats are used to perform research on sea life; cages are used to house laboratory animals, etc. As the report points out, the property obtained by the Grantees was in fact required for use on scientific research projects and was certified to this effect by the principal investigator on each project as well as the Foundation's appropriate scientific personnel. We have no evidence available to suggest that any of the equipment was not so used. It would be unconscionable not to share the view expressed by the GSA official interviewed.

The intent of the Public Law was to exempt from the 25 percent payment requirement, all property transferred to Foundation grantees for use on scientific research projects, not just equipment meeting a strictly scientific definition. In this connection, the Assistant Commissioner of GSA and the then Assistant Director for Administration of NSF agreed, in an exchange of letters dated May 23 and September 9, 1977, that "GSA will not require reimbursement for an item not listed in the classifications set forth in Section 101-43.320(b)(2)(IV), and certified to by NSF as a component part or related to a piece of scientific equipment, or an otherwise difficult to acquire item needed for scientific research, unless GSA determines that the item is 'common use' or 'general purpose', in which case reimbursement will be required. With respect to the terms 'common use' and 'general purpose' the final determination as to whether items fall within such categories must rest with the approving agency, GSA". As a matter of information, GSA has in fact returned a number of requests with a determination that the item requested was 'general purpose' or 'common use'. It would indeed be unfortunate if the GSA were to interpret the intent of the Law to preclude such transfers. We presume that such a decision would not be made without providing the Foundation an opportunity to voice its views on the matter.

Property transferred to grantees for use on grants which were about to expire.

As indicated in the report, our internal procedures require the exercise of careful judgment in cases where three months or less remain before a grant will expire. In keeping with these procedures (NSF Circular 85), we do monitor closely requests for equipment during the last three months of a grant. Frequently, the Foundation is processing a request for a renewal in support of the same project at the time the property request is being processed. When this is the case and award of additional funds is certain, the request is processed using the existing grant numbers for identification. While use of an existing grant number may be technically incorrect, it does not violate the spirit of the law. Changing the identification after the new award is made would only add paperwork and effort to the process without any apparent positive effects. In the cases cited on page 26, renewal awards were made in support of the projects funded by grants Nos. 7516769 and 7609807, and the performance period for grant No. 7704606 was extended to April 30, 1979 by letter dated August 30, 1978. Concerning grant No. 7610580, the equipment was approved by NSF nearly six months before expiration and by GSA more than three months prior to the expiration date.

While the identification detail may be technically incorrect, the foregoing certainly supports the notion that our internal procedures with respect to transfers nearing the expiration date of a grant are being followed and that careful and complete consideration is being given to such transactions.

Lack of adequate property use surveillance procedures by Federal grantor agencies.

Excess property reviews are being made by Program Directors, the Property Officer, and Grant and Contract Specialists in the Award Accountability Branch of the Division of Grants and Contracts as part of their routine site visits. Our auditors have also been asked to include a review of excess property in their audit programs. Attachment I is a copy of our April 30, 1980 letter to GSA in response to their request for a copy of our surveillance procedures. As stated earlier in this letter, there is no mention in the report of any discussions by the GAO with either OMB or GSA on this subject as promised during the audit.

In summary, we do not feel the draft report adequately addresses the intent of the Law, the advantages of the excess program as it relates to grantees, the appropriateness of the implementing regulations, or the manner in which the program is administered by the National Science Foundation.

Sincerely yours,

R. C. Atkinson

Richard C. Atkinson
Director

Attachment 1

ATTACHMENT I

NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550

OFFICE OF THE
ASSISTANT DIRECTOR
FOR ADMINISTRATION

APR 30 1980

Mr. Roy Markon
Commissioner
Federal Property Resources Service
General Services Administration
Washington, D.C. 20406

Dear Mr. Markon:

This responds to your March 6, 1980 letter concerning the recordkeeping and oversight requirements of 41-CFR-43.320.

The records required by 41-CFR-101-43.320 (f), except for paragraph (e), are readily available in the Property Section, Division of Grants and Contracts. The annual property report forwarded to your office is generated from these computerized records. While the percentage of excess to the dollar value of the grant is a factor in our review process, this data is not now accumulated. We will initiate action to include the percentage in future reports.

With respect to the oversight requirements of 41-CFR-101-43.320 (g), we are currently carrying out these activities in accordance with NSF Circular No. 85 (copy enclosed) and our May 23, 1977 letter to the Assistant Commissioner for Customer Service and Support. Reviews on-sight are made by our Program Officers during the course of visits to grantee organizations and institutions, and surveys by our Property Officer are included in our work plan.

As you are probably aware, the General Accounting Office has been conducting a review of our excess property program during the past year. During the review we discussed our dilemma over complying with the intent of the FPMR surveillance requirements with respect to excess property vis-a-vis the restraints imposed by OMB with respect to property purchased under grants. The GAO representative has indicated that they would discuss this point with officials of OMB and GSA.

Mr. Roy Markon, Commissioner
General Services Administration FPRS

GAO has advised us informally that their report on our excess property program will be released in the next week or two. We have been reluctant to implement any extensive changes in our surveillance program pending the outcome of the study. Upon receipt of the report we will initiate action to make appropriate changes in our property program.

Sincerely yours,

Original Signed by
Thomas Ubois

Thomas Ubois
Assistant Director
for Administration

cc: AD/A rm. 525 (2)
DGC/PPS Chron
AAB Chron rm. 640
DGC CRF file 201
DGC Chron file 201
Mr. Michelitch, AAB rm. 640

DGC/AAB/PPS:RAMichelitch/CWFrost:mpt:4/22/80

U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210

Reply to the Attention of

JUN 1 8 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group
Room 5832
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Connor:

This is in reply to Mr. Ahart's May 20, 1980 letter to Secretary Marshall requesting comments on sections of the draft GAO report entitled, "Implementation and Impact of Public Law 94-519" which are applicable to the Department of Labor. The Department's response is enclosed.

The Department appreciates the opportunity to comment on this report.

Sincerely,

Nanette M. Blandin for
RONALD GOLDSTOCK
Acting Inspector General

Enclosure

GAO note: These comments were deleted from the final report on the basis of Labor's comments.

U.S. Department of Labor's Response To
The Draft General Accounting Office Report
Entitled --

"Implementation and Impact of
Public Law 94-519

Recommendation: The heads of all Federal agencies review their plans, policies and procedures pertaining to the transfer of excess personal property to non-Federal grantee organizations and ensure that they are in full compliance with the applicable provisions of Public Law 94-519 and the implementing Federal Property Management Regulations (FPMR).

Response: The Department concurs.

Comments: The Department is already in compliance with this recommendation. All provisions contained in the FPMR for monitoring excess property have been made part of appropriate grant documents. In addition, procedures for ensuring effective management of the transfer of excess property to grantees will be incorporated into the newly revised property handbook for employment and training program grantees.

In addition to the above recommendation, the Department has the following comments on specific issues raised in the draft report:

1. Page 13, "Employment and Training Administration, Department of Labor"

   The Department does not agree with the statement that "Employment and Training Administration officials did not indicate that the Public Law had impacted severely on their grantees' programs ..." During the discussions with the GAO auditors, emphasis was placed on the fact that for all practical purposes, the impact of Public Law 94-519 has been to remove grantees from the excess program--a program in which they had participated heavily up to this point.

2. Page 21, "Lack of clear determination of grantees' need for excess property" [See GAO note, p. 139.]

   The method by which excess property is located in the Department and transferred to grantees is not accurately described. Rather, the following procedures are in place: (a) The grantee submits a request for excess property to the Government Authorized Representative (GAR) who represents the Grant Officer in accordance with the delegation of authority. The GAR has intimate knowledge of the grant due to daily contact and monitoring and is best qualified to determine if the property is needed and how it will be used. (b) Upon approval by the GAR, the request is then forwarded to the Property Officer for final determination/action.

3. Page 22, "Lack of procedures to assure that grantees do not routinely acquire property costing more than the value of their grants"

The report indicates that procedures to ensure compliance with the FPMR limitation on the value of excess property transferred to grantees had not been implemented by various agencies "including the Employment and Training Administration" of this Department. It should be noted that the Department's procedures for determining the need for excess property requires that a determination be made of (a) the current property value held in the grant, (b) the value of the proposed property acquisition, and (c) the limitations of the grant. In most grants, the dollar value for administration is limited to 15 percent to 20 percent of the dollar value of the grant and thus serves as a safeguard for ensuring that the situation cited in the report does not occur.

4. Page 27, "Property transferred to grantees for use on grants which were about to expire"

The Department is cited as one of the agencies for which the General Services Administration (GSA) approves excess property transfer orders that contain no indication of when the recipients' eligibility to acquire excess property expires. Here again, the Department's procedures as outlined above provide checks to determine the grant expiration and performance dates. Since nearly all of the grants (employment and training) which were the subject of the General Accounting Office (GAO) investigation expire at the same time, this is a very easy provision to enforce.

5. Pages 27-28, "Lack of adequate property use surveillance procedures by Federal grantor agencies"

The report notes that several agencies, including the Department, had not implemented effective procedures to oversee the propriety of use made of excess property furnished to their grantees. The property handbook for project grantees, which the audit report indicates has been published, details property monitoring procedures. These procedures are being followed, and since the time of the GAO visit subsequent reviews of excess property have been made as part of the normal surveillance requirements.

U.S. Department of Justice

JUN 20 1980

Mr. William J. Anderson
Director
General Government Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Anderson:

This letter is in response to your request to the Attorney General for the comments of the Department of Justice (Department) on your draft report entitled "Implementation And Impact Of Public Law 94-519." In responding to the report, it should be noted that the reference to the Law Enforcement Assistance Administration (LEAA) is now incorrect in that, through a recent reorganization, the former LEAA program now encompasses the Office of Justice Assistance, Research and Statistics, the National Institute of Justice, the Bureau of Justice Statistics and LEAA.

We have reviewed those sections of the report that the General Accounting Office (GAO) considered applicable to the Department and offer the following comments:

1. On page 13 the statement is made that the total amount of property acquired by grantees from LEAA had fallen significantly. It is true that the amount of property obtained by grantees dropped dramatically in fiscal year 1978. We believe it was caused by grantees (a) not having adequate time to budget for the 25 percent payment since implementation of Public Law 94-519, (b) unwillingness to pay for "used" equipment, (c) unfamiliarity with the new procedures, or (d) not having the necessary manpower to examine the property closely to ensure that the value equals the required 25 percent payment. However, fiscal year 1979 transfers of equipment doubled over fiscal year 1978 primarily because sufficient time had elapsed for grantees to gain familiarity with the law and budget funds to acquire needed property.

2. While we agree with the statement on page 13 that Public Law 94-519 did not cause extreme hardships for LEAA grantees, it is important to point out that one of the reasons for establishing the excess property program was to allow grantees to obtain property at a low cost, thereby permitting more grant funds to be utilized for program objectives. As grantees have utilized less excess property, they have had to expend more money for new property, leaving less

funds for programmatic achievement. Also, grantees, mainly in the corrections area, used excess property to enhance the grant project. For example, the Stafford Correctional Farm in Arizona used excess heavy moving equipment (in bad condition) for inmate training. The inmates rebuilt the equipment, sometimes by cannibalization, and then used it on State roads. The inmates thereby received training in equipment mechanics, equipment operation and road construction. This particular grantee has not received any excess heavy moving equipment since the implementation of Public Law 94-519.

3. Page 21 of the GAO draft report states that ". . . excess property was being transferred to project grantees without a clear determination having been made that the property was necessary and useable for the purposes of the grant, as required by the FPMR." Federal Property Management Regulations (FPMR) are being rigidly followed. Chapter 4, paragraph 20c, d and e of Guideline Manual M7380.1a specifically require that all requests for excess property be certified for program compliance. The procedure requires that the appropriate State planning agency, the grant monitor, the central offices, and the General Services Administration approve the transfer of all property based upon the justifications provided. Copies of Standard Form 12 (Transfer Order Excess Personal Property) showing typical program needs, justications and approvals are available for GAO's review. [See GAO note, p. 144.]

4. The statement is made on page 21 of the draft report that ". . . the transfer order is not reviewed and approved by a grant officer who might have knowledge of the need or useability of the property." This statement does not apply to LEAA. Chapter 4, paragraph 20(f) requires grant monitors to sign transfer documents (Standard Form 122) attesting to the need or useability of the property. GAO should delete the reference to LEAA as one of the agencies not complying with this requirement of the FPMR. [See GAO note, p. 144.]

5. Page 22 of the draft report states that procedures had not been implemented by LEAA to ensure that property was not being transferred to project grantees, in terms of original acquisition cost, in excess of the dollar value of the grant. Again, Chapter 4 of the Guideline Manual provides the necessary procedure to comply with the above FPMR requirement. Records are maintained listing grantees, grant dollar amount, and total Federal acquisition cost of excess property obtained under the grant. These records immediately flag any evidence of transfers in excess of the dollar value of the grant. The Guideline Manual also requires that the dollar amount of the grant be placed on the transfer documents. The reference to LEAA should be deleted from this section of the report.

6. The statement is made on page 32 of the draft report that ". . . Federal grantor agencies were not conducting adequate surveillance programs to ensure that proper use was made of the property by grantees." Although

specific Federal programs are not mentioned, we take exception to this statement if related to LEAA's grant program in that we consider adequate safeguards are being taken, including onsite visits, to ensure that proper use is made of property acquired by grantees. Guidelines for the acquisition and utilization of property are in full compliance with applicable regulations and OMB circulars as regards this issue.

We appreciate the opportunity to comment on the draft report. Should you desire any additional information, please feel free to contact me.

Sincerely,

for Wm D. Van Stavoren, Acting
Kevin D. Rooney
Assistant Attorney General
for Administration

GAO note: These comments were deleted from the final report on the basis of Justice's comments.

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
P.O. Box 2417
Washington, D.C. 20013

1420
JUN 19 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group, Room 5832
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Connor:

The Secretary of Agriculture assigned the Forest Service as the lead agency in replying to your May 21 letter requesting Department of Agriculture comments to the GAO draft report on the implementation and impact of Public Law 94-519.

We concur with the proposed agency recommendations in Chapter 2, pages 33 and 33a of the draft. In addition, the proposed recommendation to the Congress on page 101 to clarify what cost should be included under Section 203 (J) (I) of the Federal Property and Administrative Service Act of 2949 should strengthen agencies' administration of Federal excess and surplus property transfers to nonfederal organizations.

The enclosed summary includes comments relative to various sections of Chapter 2 that clarify references and statements of Department administration.

We appreciate the opportunity to review this draft report and to make comments and suggestions.

Sincerely,

for Philip L Thornton
R. MAX PETERSON
Chief

Enclosure

SUMMARY OF COMMENTS

USDA - FS Comments on GAO Draft

GAO Page 8 (Footnote): These organizations are technically not grantees.

Comment: Agree - State forestry agencies are cooperators and have been participating in the Federal Excess Personal Property Program since 1956. This program has been invaluable in protecting rural America from fire.

* * *

GAO Page 22: Lack of procedures to assure that grantees do not routinely acquire property costing more than the value of their grants.

GAO Page 25: Property transferred to grantees for use on grants which are about to expire.

Comments: State forestry agencies cooperate with the Federal Government in the protection of State and private forests from fire.

1. State forestry agencies have the authority to acquire excess property independent of their authority to receive cooperative funds. The Excess Program could continue without the transfer of funds and, therefore, the dollar value of excess acquisitions should not be limited by the funding level for a given year.

2. Our legislative authority to acquire excess does not expire annually or periodically but is a continuing one. This is understood by the General Services Administration and, therefore, an expiration date is not placed on our transfer orders.

* * *

GAO Page 17: Lack of adequate property use surveillance procedures by Federal grantor agencies.

Comment: We feel we have developed an adequate surveillance procedure for excess property acquired by State forestry agencies although full implementation of that procedure has not been achieved. We will constantly monitor and update our procedures and would appreciate any specific comments you might have.

* * *

GAO Pages 30 and 31: Stockpiling

Comment: The Redbook normally prohibits stockpiling beyond a year's supply. This rule is lifted for "out of production" items such as 1940-1964 vehicles that are currently being released. Any vehic or parts that pass through excess/surplus are purchased by comme al concerns and then available for sale to us at greatly inflated p. s. Some of our storage areas, such as Colorado, require an extensive eanup effort that we have undertaken.

GAO Page 33a: ". . .review their plans, policies. . .."

Comment: We periodically convene a group to update the Redbook as we have done since 1956. After final recommendations are made to all participating agencies we will make the necessary changes. We fully agree with this recommendation.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 20 1980

Mr. H.W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group, Room 5832
441 G Street, N.W.
Washington D.C. 20548

Dear Mr. Connor:

We have reviewed the GAO draft report "Implementation and Impact of Public Law 94-519" and we agree with its various findings, conclusions and recommendations with one exception.

The second paragraph under CONCLUSIONS AND RECOMMENDATIONS on page 31 of the draft report states that "strong complaints expressed by grantees of the Economic Development Administration and former section 514 property recipients". . . . "were to be expected" and that "Congress" . . . . "attempted to ensure their continued receipt of reasonable (emphasis added) amounts of property by broadening the purposes for which surplus property could be furnished under the Donation Program to include economic development." Many Indian tribes located on Federal Indian reservations were formerly recipients of sorely needed excess property under the Economic Development Administration grants and former section 514 of the Economic Development Act as amended by P.L. 93-423.

Since Indian tribes located on Federal reservations are not eligible recipients of surplus property under the Donation program, the inclusion by Congress of economic development as an authorized purpose for donation did not ensure Indian tribes of continued receipt of reasonable amounts, or any amounts of property. This, of course, has been extremely detrimental to many Indian tribes' economic development efforts and placed them on unequal footing with those developing organizations eligible for donation of surplus Federal property.

We appreciate the opportunity to review the report prior to publication.

Sincerely,

E. Meierotto
Assistant Secretary - Policy
Budget, and Administration

UNITED STATES DEPARTMENT OF COMMERCE
Office of Inspector General
Washington, D.C. 20230

JUL 1 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Connor:

This is in reply to Mr. Eschwege's letter of May 21, 1980 requesting comments on the draft report entitled "Implementation and Impact of Public Law 94-519."

We have reviewed the enclosed comments and believe they are responsive to the matters discussed in the report.

Sincerely,

Mary Bass

Mary P. Bass
Inspector General

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
Office of the Secretary
Washington, D.C. 20230

July 1, 1980

Mr. H. W. Connor
Associate Director, Logistics
and Communications Division
U.S. General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Connor:

During the two and a half years the regional action planning commissions' excess property program (Section 514 of the Public Works and Economic Development Act of 1965) was in operation, it had the strong support of the Governors and the states in the Title V regions. Much of this support was due to the fact that the recipients saw the program as one which enhanced their economic development activities. Another was probably due to the fact that for the first time they were able to acquire large amounts of property with relative ease and at minimum cost.

Prior to enactment of the 1976 amendments to the Federal Property and Administrative Services Act of 1949 (Public Law 94-519), there was some sentiment among the Federal Cochairmen for continuing the regional excess property program. However, since passage of Public Law 94-519, the Department has not received any indication from the Federal Cochairmen that Commission recipients have been adversely affected by the termination of the regional excess property program.

Even though the regional commission excess property program was well received by recipients and commission officials, the program in each commission was understaffed. The ever-increasing flow of paperwork resulting from the expanded use of excess property placed an inordinate burden on the regional commissions. Many of them were unable to systematically oversee the recipients' inventory accountability and the use, maintenance, and possession of the excess property received by the recipients.

The Department urges a more careful and thorough evaluation of the true costs and benefits to former and current excess and surplus property recipients. Such an evaluation should provide a stronger basis for program modification than can be found in the General Accounting Office (GAO) recommendations. In the meantime, the Department also recommends that the complaints about the surplus property donation program raised by former recipients of regional excess property and cited in the GAO Draft Report on pages 19 and 20 be addressed and where possible accommodations be made.

Sincerely,

Frances Phipps

Frances E. Phipps
Special Assistant to
the Secretary for
Regional Development

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

July 1, 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group, Room 5832
441 G Street, N. W.
Washington, D.C. 20548

Dear Mr. Connor:

We have reviewed the draft report on the "Implementation of Public Law 94-519" and have the following comments to make on it.

General

The Agency is aware of the strong complaints expressed by our grantees (primarily District organizations) which are noted on page 31 of the draft report. In many instances, this has resulted in financial hardships and adjustments for the Districts. However, we agree with the intent of the Act and see merit in introducing greater accountability and control for the use of government property.

The summary of excess property transfers listed on page 11 of the draft report for FY 1978 and 1979 is essentially correct for this Agency's participation.

> According to this chart, Economic Development Administration (EDA) transferred no property which required a 25% payment by the Agency. By policy decision, the Agency has elected not to participate in this program.
>
> All of the excess property ($2,219,000 acquisition value) for those grantees exempt from the 25% payment have been under the exemption to Indian tribes as defined in section 3(c) of the Indian Financing Act. By policy decision, the Agency, in FY 1979, decided to cease all further excess property transfers through this program.

In accordance with P.L. 94-519, the Agency has acted to transmit title to all excess property obtained by grantees on or before October 17, 1977, provided it was in the possession of the grantees and was used for the purposes of their EDA grant.

In addition to the above general comments, the Agency has the following comments to make on the draft report's recommendation.

Recommendation: The heads of all Federal agencies review their plans, policies, and procedures pertaining to the transfer of excess personal property to non-Federal grantee organizations and ensure that they are in full compliance with the applicable provisions of Public Law 94-519 and the implementing FPMR.

The Economic Development Administration has reviewed its policies and procedures and has concluded the following.

1. Since the Agency has not been participating in the excess property program for further transfers of excess property since 1978, there is no need to have any revision of policies and procedures, except for those pertaining to inspections concerning excess property currently in the hands of our grantees -- federally recognized Indian tribes.

2. Page 29 of the draft report states that since the fall of 1978, no on-site inspections have been conducted by EDA personnel. The reasons for this are:

o During this time the Agency has had extremely limited administrative funds. Travel funds have been available only sporadically during this time and when they were available they had to be assigned to higher priority work. The Agency has applied for a supplemental administrative funding appropriation for 1980. Should these funds become available in sufficient amount, we will conduct the inspections required by the excess property program. The Agency has also asked for the funding in 1981 needed to conduct the required investigations.

o It would be desirable to have the Bureau of Indian Affairs (BIA) conduct for EDA the required inspections of excess property held by federally recognized Indian tribes under EDA's excess property program. The Bureau of Indian Affairs has personnel available at all the Indian tribe sites and the required inspections could be conducted with a minimum of effort and expense. The Economic Development Administration and BIA have negotiated costs for conducting selected inspections, and we expect to implement this procedure when administrative funds for this purpose become available. In the interim, EDA will require certification by the Indian tribal holders of excess property that such property is actually on hand and being used for the purpose intended. Also, the Agency has been negotiating with the BIA over the past 18 months to have BIA assume responsibility for all Federal excess personal property transferred by EDA to federally recognized Indian tribes.

We appreciate the opportunity to comment on this draft report and look forward to reading the report once it is available in final.

Sincerely,

Robert T. Hall
Assistant Secretary
for Economic Development

NASA

National Aeronautics and
Space Administration

Washington, D C
20546

JUN 18 1980

Reply to Attn of: L

Mr. H. W. Connor
Associate Director
Logistics and Communications
Division
Distribution Management Group,
Room 5832
441 G Street, NW
Washington, DC 20548

Dear Mr. Connor:

Thank you for the opportunity to review GAO's draft report entitled, "Implementation and Impact of Public Law 94-519" (Code 943179).

The draft report has been reviewed within NASA and our comments are enclosed. We have suggested minor language modification for clarity to one section.

If we can be of further assistance, please let me know.

Sincerely,

Robert F. Allnutt
Acting Associate Administrator
for External Relations

cc: Mr. Stolarow

NASA Comments on GAO Draft Report "Implementation and Impact of Public Law 94-519," Assignment Code 943179.

On page 14 of the draft, GAO notes that NASA has not provided excess property to grantees since PL 94-519 was effective. Then the report states: "Despite this fact, Administration Officials did not indicate that their grantees had been severly hurt." We recommend this sentence be modified to "Administration Officials did not have available evidence that the failure to provide excess property had severly impacted a grantee's performance; however, they did note that there most probably has been an adverse impact in performance because the law has curtailed the provision of property which would enhance performance but for which there are insufficient funds."

Wm. E. Lilly
Associate Administrator
Comptroller

FEDERAL EMERGENCY MANAGEMENT AGENCY
Washington, D.C. 20472

20 JUN 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications
Division
Distribution Management Group
441 G Street, N.W, Room 5832
Washington, D. C. 20548

Dear Mr. Connor:

In response to the letter of May 21, 1980, from Mr. Henry Eschwege, Director of Community and Economic Development Division, our comments on draft report "Implementation and Impact of Public Law 94-519" (Code 943179) follow:

1. Page 8 - For clarity it should be noted that while the percentage of Federal agency use has risen, the dollar amounts have remained relatively constant.

2. Page 17 - A statement should be added as follows:

> The Agency has received numerous allegations from State and local civil preparedness directors that the Surplus Property Donation Program is not serving their needs. These directors have alleged that:
>
> a. There is a lack of useable property available through the program.
>
> b. State Agents for Surplus Property (SASP) are not responsive to their needs.
>
> c. SASP are asking unreasonably high service charges.
>
> d. The property is not distributed equitably between States and within some States between recipients.
>
> e. There has been no increase in quality or quantity of surplus property since the law became effective.

Sincerely yours,

John W Macy Jr

John W. Macy, Jr.
Director

Community Services Administration WASHINGTON, D.C. 20506

JUN 20 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group, Room 5832
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Connor:

Thank you for the opportunity to provide comments on your draft report on the implementation and impact of Public Law 94-519.

On page 31 of your draft report you state that with the exception of grantees of the Economic Development Administration and former section 514 property recipients, knowledgeable Federal officials were not aware of any serious adverse impact on their grantees caused by the Law. It should be noted that the Community Services Administration was also aware of the adverse affect it would have on our grantees and attempted to get an exemption from the bill for our community action agencies. We were not successful in getting this exemption. As your report correctly indicated on page 18, our community action agencies do not believe the general condition of the excess property warrants the payment of the 25 percent acquisition costs.

It should also be noted that the deficiencies discussed on page 32 of your report did not exist with our agency prior to the enactment of Public Law 94-519 and we are hopeful that exemptions to the Law would be broadened to permit our community action agencies to again obtain excess property without payment of the 25 percent acquisition cost.

Sincerely,

Frank H. Jones
for
William W. Allison
Acting Director

Office of the Administrator of Veterans Affairs

Washington, D.C. 20420

Veterans Administration

JUNE 19 1980

Mr. Gregory J. Ahart
Director, Human Resources Division
U. S. General Accounting Office
Washington, DC 20548

Dear Mr. Ahart:

Thank you for the opportunity to review the May 21, 1980 draft report, "Implementation and Impact of Public Law 94-519," which discusses the impact of the Public Law on Federal programs involving the transfer of excess Government personal property to non-Federal organizations. This report summarizes the General Accounting Office findings on the impact of the Law on the Federal surplus personal property Donation Program. It also addresses the impact of the Law on the Agency for International Development and voluntary relief organizations, and discusses Federal costs of care and handling of donated property.

The Veterans Administration (VA) agrees with the report conclusions and I believe it is important to emphasize the conclusion reached in Chapter 5. The expenses executive agencies would incur in identifying and accounting for the costs of care and handling of excessed property probably would exceed the amount that would be recovered by imposing a surcharge on donees as required by Public Law 94-519.

Because of this, and the fact that imposing a surcharge would cause a significant number of donees to reduce or end their participation in the Donation Program, the Congress may wish to review this requirement in the Law. Such a review would determine if the collection requirement should be eliminated entirely or, if it is retained, that it could be done in a manner causing the least possible adverse effect on the state agencies.

Sincerely,

Max Cleland

MAX CLELAND
Administrator

Department of Energy
Washington, D.C. 20585

JUN 11 1980

Mr. J. Dexter Peach
Energy and Minerals Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Peach:

We appreciate the opportunity to review and comment on a portion of the GAO draft report entitled "Implementation and Impact of Public Law 94-519." Only chapters one (1) and five (5) were provided to us for review. Our comments therefore, concern only those two (2) chapters.

In general, we concur with GAO`s conclusions as listed on page one-hundred (100).

As with the other civil agencies your staff contacted during this study, the Department of Energy (DOE) handles donable personal property in accordance with the Federal Property Management Regulations as issued by the General Services Administration. Our accounting procedures provide that we will not collect for care and handling costs less than one-hundred dollars ($100) on any one (1) transfer to a donee. Since the State Agencies for Surplus Property regularly provide trucks and personnel for the pickup and transportation, no charges are normally assessed against the States. Presently our accounting procedures do not provide for the separate recording of care and handling costs. It is our position that the present policies and procedures as established by GSA for the management and control of the donation of personal property are reasonable, cost-effective, and adequate.

During fiscal year 1979, the DOE disposed of donable property with an acquisition cost of about six million dollars ($6,000,000). A surcharge of one (1) percent as discussed in the draft report would have returned about sixty-thousand dollars ($60,000) to the Federal Government but it is doubtful if that amount would have covered the cost of the manhours of effort necessary to process the paperwork since many small donations are made. We agree with the GAO conclusion that a care and handling surcharge greater than one (1) percent would seriously impact on the Donation Program.

It is our belief that this donable property, when no longer required by the Federal Government, can serve a useful purpose by being made available to the States and subsequently, through use by eligible nonprofit organizations, to the taxpayers. As stated earlier, we feel that the present policies on handling donable property are reasonable and cost-effective.

Comments of an editorial nature have been provided directly to members of your staff. We appreciate the opportunity to comment on this draft report.

Sincerely,

for M Ryan
Jack E. Hobbs

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

SR
MANPOWER,
RESERVE AFFAIRS
AND LOGISTICS

25 JUN 1980

Mr. H. W. Connor
Associate Director
Logistics and Communications Division
Distribution Management Group, Room 5832
General Accounting Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Connor:

This is in reply to GAO Draft Report dated May 19, 1980, "Implementation and Impact of Public Law 94-519" (GAO Code 943179)(OSD Case #5438).

The Draft Report makes two recommendations that affect the Department of Defense (DoD). The first calls for a review of our plans, policies and procedures regarding the transfer of excess personal property to non-Federal grantees to ensure compliance with Public Law 94-519 and the implementing Federal Property Management Regulations. Since DoD does not make such transfers, a fact acknowledged in the report, we suggest that the recommendation be rewritten to apply only to involved Federal Agencies. We appreciate the difficulties reported by the GAO analysts in performing a detailed review of Federal Agencies' programs in the 30 months' time frame set by Congress, but we do not believe that an umbrella-type recommendation that covers uninvolved agencies is useful.

The second recommendation is directed to the Congress but it affects us because we are the only agency required by Congress to collect a surcharge on donations. We have no objection to a Congressional clarification of what costs should be recovered so the Federal Donation Program is applied consistently throughout the Government. However, we are concerned that the analysis in the body of the report could lead readers to incorrectly conclude that our 2% surcharge goes beyond a reasonable recovery of our expenses and could seriously hurt the donation program. Our detailed comments are included in the attachment to this letter.

We request that our views be incorporated in the final report and appreciate the opportunity to comment.

Enclosure
As stated

Sincerely,
SIGNED

Richard Danzig
Principal Deputy Assistant
Secretary of Defense (MRA&L)

Detailed Comments on GAO Draft Report
Dated May 19, 1980
"Implementation and Impact of Public Law 94-519"
(GAO Code 943179)(OSD Case #5438)

Page 89 and Page 90:

GAO Draft Comments:

" We believe that some of the costs DLA identified are not recoverable under the Federal Property Act of 1949."

"DLA officials informed us that the cost accounts used were not selected on the basis that they conformed to the Federal Property Act, but because they were considered to provide direct processing costs related to the handling of excess and surplus property while it is in the disposal system. They agreed that had they restricted their selection of costs to only those incurred by care and handling functions performed for donated property, their cost estimate would have been much less than $5.3 million."

"Some of the cost accounts DLA used in determining the donation surcharge do not conform to the statutory definition of care and handling as provided in the 1949 Act."

DoD Comment:

The report does not identify which costs alleged to be improper are included. DoD used direct costs associated with disposal functions that support the donation program. There was no attempt to allocate overhead services. We believe that the selection and proration of costs applicable to the donation program are correct. The GAO comments should either be removed or made more specific.

Page 94:

GAO Draft Comment:

"Officials of each [Civil Agency] organization told us the time and effort spent on care and handling of donated property is so small that it would be uneconomical to attempt to recover these costs."

DoD Comment:

The Federal Donation Program for FY 79 was $452.9 million, of which $280 million was DoD property. This leaves $172.9 million or 38.2% being donated by non-DoD activities. By applying a 2% care and handling cost, which DLA has identified as applicable to DoD donations, Federal Agencies would realize $3.458 million from their donations. This is not an insignificant amount.

Page 94 and Page 97:

GAO Draft Comments:

"These officials believe that a care and handling surcharge on surplus property would severely curtail the Donation Program...." and

"Increased SASP service charges will reduce the amount of property acquired by donees. The amount of the reduction depends, of course, on how much the service charges increase."

DoD Comment:

According to the data gathered by GAO from the State Agencies for Surplus Property, over 70% of the donees responding indicated that a 2% surcharge would cause less than a 10% decrease in property acquired. It appears that those most directly affected do not view the surcharge as being as serious a problem as had been widely assumed.

Page 99:

GAO Draft Comment:

"For example, one donee noted, 'While it may be possible and practical to pay up to five percent of property acquisition cost for some items, it could be most impractical for any such flat fee structure for all items.'"

DoD Comment:

Our implementation of a 2% surcharge will not be applied to the acquisition cost in excess of $50,000 extended value of any line item, thus limiting the maximum surcharge per line item to $1,000.

Page 100:

GAO Draft Comment:

"--Currently, an inconsistent policy regarding the recovery of care and handling costs is developing. DoD will recover; civil agencies will not."

DoD Comment:

We agree with this conclusion. This situation exists because Congress required the DoD costs to be recovered, while no such requirement was placed on the civil agencies.

Page 100:

GAO Draft Comment:

"--A care and handling surcharge greater than 1 percent of acquisition cost would seriously impact the Donation Program."

DoD Comment:

This conclusion is not supported by the table on page 98 of the draft report.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D.C. 20523

ASSISTANT
ADMINISTRATOR

JUN 16 1980

Mr. J. K. Fasick
Director
International Division
United States General Accounting
Office
Washington, D. C. 20548

Dear Mr. Fasick:

Thank you for providing us copies of the sections applicable to A.I.D. of the draft GAO report to Congress entitled: "Implementation and Impact of Public Law 94-519." I have reviewed the draft dated May 19, 1980 and it generally tracks with Chapters 3 and 4 of the GAO's recent draft report "Excess Property -- Need for Direction." I sent you my comments on that report by letter of May 14, 1980, a copy of which is attached for your convenience.

However, there are several points which I feel deserve greater emphasis. As noted in my letter to you of May 14, the impact of PL 94-519 on A.I.D.'s ability to acquire excess property in the U.S. and Europe has been severe. In addition, I pointed out that the quality of the small quantity of property A.I.D. is able to acquire from GSA has dropped sharply. These facts and their consequences were addressed more fully in the GAO draft report on A.I.D.'s Excess Property Program.

Therefore, I suggest the following be included in your draft report on the impact of PL 94-519:

- In FY 1977, the year immediately preceding the effective date of PL 94-519, A.I.D. acquired domestic excess property from GSA having an original acquisition cost of $9.0 million. It is estimated that 85% of all A.I.D. requests for transfer of such property were honored by GSA.
- In FY 1978, A.I.D. was able to acquire only $3.8 million of domestic excess property, with only about 21% (by value) of A.I.D.'s requests for transfer being honored by GSA.
- In FY 1979, A.I.D. was able to acquire only $1.2 million of such property from GSA.

The 87% drop in the volume of domestic acquisitions during the period October 17, 1977 through September 30, 1979 is attributable in large measure to PL 94-519's lowering of A.I.D.'s priority to obtain property for grant-financed programs.

In addition to a drastic reduction in the equipment available from GSA for A.I.D. programs, the quality of available equipment also has suffered. The condition of mechanical equipment that has survived screening by the states and local organizations generally is so poor that it is not economically feasible for A.I.D. to acquire the equipment, recondition it in the United States, and transport it overseas to fulfill project requirements. Property which A.I.D. may wish to acquire for use by grantees is not available until the last day of the entire screening cycle. At that point, the property immediately becomes subject to disposal as surplus and automatically is listed for bid sale, thus, no time is provided A.I.D. for physical inspection of major items of equipment.

PL 94-519 also has had a strongly adverse impact on the acquisition of domestic excess property by registered U.S. voluntary agencies and other eligible recipients under Section 607 of the FAA. These U.S. voluntary agencies now find themselves competing with AID grant-funded claimants for the culls of the donation program.

Finally, there are two conclusions in the GAO's draft report on A.I.D.'s Excess Property Program (pages 30 and 39) which deserve mention. Specifically, it was stated that,

> "The only way for A.I.D. to obtain more excess property is for the law to be changed raising the priority of its grantees above that of the States," and,
>
> "We believe the only way 607 recipients can obtain more property is for the law to be amended raising their priority above the States."

We endorse both conclusions and suggest that the GAO recommend to the Congress that the law be amended to provide for A.I.D. requirements.

We very much appreciate the opportunity you have afforded us to comment on the applicable sections of the report, as presently drafted. We hope our comments will be useful in your final deliberations on the matter.

Sincerely,

D. G. MacDonald
Bureau for Program and
Management Services

Attachment:
D. G. MacDonald's letter to the GAO
dated May 14, 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

ASSISTANT
ADMINISTRATOR

14 MAY 1980

Mr. J. K. Fasick
Director
International Division
United States General Accounting Office
Washington, D. C. 20548

Dear Mr. Fasick:

Thank you for your letter of April 16, 1980 enclosing copies of the draft report to Congress entitled: "Excess Property -- Need for Direction." I have carefully studied the draft and have a number of comments and observations to offer on its recommendations.

Before offering them, I think it is important to state, at the outset, that our experience with the Excess Property Program has been that it is a limited but nonetheless quite valuable program of opportunity. Without a total change in A.I.D.'s decentralized procurement systems, development of new procedures and substantial increase in staffing, it is not feasible, nor in other very important regards desirable, to centrally screen every procurement document for possible substitution with excess property. Even were it possible, the practical impact would be marginal and the overall costs excessive. This Agency has been criticized from time to time by the GAO and others for not attaining greater substitution of excess properties for new procurement and advised that this problem could be corrected, in part, by consolidating A.I.D. equipment and material requirements and then reviewing excess availabilities against these requirements. A.I.D. is not, however, principally a logistics management agency dealing in consolidated material and equipment procurement centered in a single supply/demand control point. A.I.D.'s task is to design, finance and monitor development projects around the world, in concert with host countries and a multiplicity of other public and private entities. The dimensions of this task are graphically apparent in our multi-billion dollar portfolio of roughly 1,325 essentially unique development projects often carried out in conjunction with one or more of 16 other contributing aid donors, in some 60 host countries, whose government should and must play a central role in managing their development programs. The potential for substitution of excess property in this organizational and programmatic setting is less than might appear on the surface. It is fundamentally limited. These

1,325 projects draw on individual U.S. entities including firms, voluntary organizations, and universities for implementation. The requirements for material and equipment are generated at the project level requiring different times for input and many require many different models of equipment. For example, different ministries of the same government may standardize on different types of equipment. These realities have to be accommodated. In view of the disparity in both the types and the timing of commodity inputs, it is not possible to consolidate all material and equipment requirements to support A.I.D.'s overseas activities without paying a heavy price in overall program management efficiency. Such considerations have been set forth in greater detail in A.I.D.'s response of April 22, 1980 to the GAO report on project implementation. A copy of the response is attached for your convenience.

In recent years, the Excess Property Program has been one of opportunity for supplementing activities authorized under the Foreign Assistance Act, which includes, under Section 607, the authority to meet requirements generated by friendly foreign governments and Private Voluntary Organizations (PVOs) for their own programs overseas. As noted by the GAO, Section 607 recipients are the major users of excess property, particularly five PVOs in Israel and the Philippines. While the GAO report cites the successful use of excess property in the Philippines and Egypt, it also acknowledges the fact that because of mission staffing reductions over the years, few missions have equipment specialists on-board to oversee the selection, receipt and utilization of excess property. Such expertise is essential for effective use of the property and it is important to point out that two of the very few missions with such staff are those in Egypt and the Philippines. This linkage was not make in the report.

Given the realities of A.I.D.'s Congressionally mandated programming shifts to "New Directions", decentralized procurement systems, limited and declining availability of excess property and staffing constraints, I think the draft report misperceives A.I.D. mission management as one of "apathy" toward the program. While I do not necessarily agree with all the reasons cited by mission personnel on pages 13-14 of the report for using excess property, they deserve attention and weight. There is, of course, a proper place for positive publicity about any program achievements and the "Front Lines" coverage of Egypt's purchase of over 700 excess railcars is an example that was referred to by the GAO. There was also a feature article in the March, 1980 issue of "Agenda" on the railcars, and on the front cover of that A.I.D. publication there was a picture of the Alexandria rail facility where the railcars were assembled. This coverage was not mentioned. In sum, our posture might be described as "publicity - yes, hard sell - no."

Your report correctly identified increased costs of shipping through the Defense Transportation System and the implementation of P.L. 94-519 by GSA as other factors which have increased costs and reduced the available supply of excess property. It is correct that we have addressed the short supply situation, in part, by utilizing the "other property" provision of our authority under Section 608 to acquire exchange sale and long supply property at less than full cost from the holding activities, mostly the Department of Defense and the Veterans Administration, which wished to turn over or freshen stocks. We recognize that the original legislative history of this provision states an intention that advance acquisition of "other property" would be used to acquire only items necessary to complement excess property. However, it was clearly stated in a report of the House Committee on Government Operations dated December 1968 that "AID's advance acquisition program under Section 608 of the Foreign Assistance Act of 1961, as amended, is not limited to acquisitions of excess property." Further, we have discussed the matter of utilizing exchange/sale and long supply property with a staff member of the House Committee on Government Operations on several occasions and, in a letter dated January 5, 1979 to Chairman Jack Brooks, we advised him, in part, that: "A.I.D. has begun to utilize the Section 608 revolving fund to acquire long supply and exchange sale property from Department of Defense and other Federal agencies to meet needs which used to be met from GSA sources."

We are comfortable, therefore, that A.I.D.'s current use of non-excess property is entirely proper, and believe that the contrary findings and conclusions presently in the draft report should be removed.

The two specific recommendations in the draft report are as follows:

1. "...that the Congress terminate the authority of the Administrator of AID to operate the advance acquisition segment of the 608 program including the termination of its revolving fund, the liquidation of the program's current inventory and the return of the funds assets to the U.S. Treasury."

2. "...that the Administrator of AID continue to utilize excess property otherwise available to AID by developing:

   a. -- Procedures to satisfy AID assisted programs and project needs, to the extent practicable, through GSA's allocation system and from holding agencies.

   b. -- An education program to encourage mission personnel to use excess property."

If the Congress should accept your recommendation and terminate A.I.D.'s advance acquisition authority, the consequences would be as follows:

-- Our ability to utilize the Excess Property Program for disaster relief and to meet selective project needs would be crippled by having to rely on the small amount of property allocated by GSA, property which is correctly described on page 25 of the report as being "...often in poor condition or not functional." The provision of disaster assistance to meet emergency needs, e.g., hospital equipment, beds, tents, generators, etc., is of particular importance because A.I.D. is the U.S. agency charged by the President to respond to natural disasters. Many of the most successful operations of the program have been in this area of A.I.D.'s responsibilities, as noted in the draft report.

-- Our ability to assist Section 607 recipients - Private Voluntary Agencies and friendly foreign governments - would be ended. Requiring those recipients to struggle alone and procure what little property would be available directly from holding agencies, as they once did, would have very adverse consequences for their programs. The impact on PVOs, would be the greatest, expecially for the five major user organizations and their multiple projects in Israel and the Philippines. It would also invite the same abuse and mismangement which caused such strong Congressional and auditor criticism of A.I.D and led Congress to establish the very authorities for the Agency that GAO now recommends be terminated.

-- Without advance acquisition authority, without an inventory of excess and other property, and without a revolving fund which gives us the opportunity to exploit what property is available and which covers all staffing and administrative costs, it is our judgment that the game would no longer be worth the candle and that the program should probably be terminated.

We do not plan a major restructuring of the program nor do we believe one is needed. But within the limitations which I have noted previously, and based on very careful study, we plan some changes in the program which would better link it to the project development and review system to achieve a somewhat better measure of substitution for new procurement. Because of the severe impact of PL 94-519 on A.I.D.'s ability to acquire excess property in the U.S. and Europe, it is important to be clear that this will require a heavier reliance on our use of non-excess property, primarily long supply stocks, to selectively supplement A.I.D-financed requirements and those of the PVOs and friendly governments. Finally, however, we do not feel we can mount such an effort if stripped of our advance acquisition authority, our inventory of excess and non-excess property, and the revolving fund.

We very much appreciate the opportunity you have afforded us by having the chance to comment on the draft report, and to provide you with our view of the consequences of the recommendations, as presently drafted, for the future of the program. We hope these views will be useful in your final deliberations on the matter.

Sincerely,

D. G. MacDonald for
Bureau for Program and
Management Services

Attachment:
A.I.D Administrator Bennet's letter

The Commonwealth of Massachusetts
Department of Education

31 St. James Avenue, Boston, Massachusetts 02116

May 22, 1980

Mr. John M. Harlow
Team Leader
U.S. General Accounting
 Office
Logistics and Communications
 Division
441 G Street, NW., Room 5832
Washington, DC 20548

RE: Draft Report - Implementation and Impact of Public Law 94-519

Dear Mr. Harlow:

Thank you for the opportunity to comment on the draft report as it relates to the Massachusetts State Agency for Surplus Property. I have carefully reviewed the draft document and it is my opinion that several of the auditor's statements (pages 49-50) on security arrangments and inventory controls at the surplus property warehouse do not accurately and fairly represent the facts. It may well be that the following information was not provided to your auditors at the time of the audit.

The auditors state that "Security is lax and opportunities to pilfer exist." and "... the warehouse alarm system had been inoperable for more than two weeks." (pages 49-50) Security is not lax. Policies and procedures exist and are followed to safeguard federal property. The surplus property warehouse is located on state property and therefore, we have the benefit of 24-hour, seven days a week security coverage. This coverage includes frequent inspections of warehouse buildings by state and local security staff.

The auditors are correct in stating that our alarm system was not operating for a two week period. This situation occurred because an individual (who was arrested and brought to court) used his vehicle as a battering ram and inflicted extensive damage to four large warehouse doors. Because of the extent of the damage and the need to coordinate repair services, the alarm system was inoperable for a period of time. During this time, we asked for and received additional security coverage from state security staff.

The draft report makes reference (pages 43,50) to a recent General Services Administration (GSA) audit report on warehouse property inventory controls. In April, 1980, GSA officials (A.J. Davidio-Boston and Stanley M. Duda-Washington) reviewed our warehouse operations. It is my understanding that these officials are supportive of our property inventory and control and

Mr. John M. Harlow
Page 2
May 22, 1980

compliance policies and procedures.

I hope that this information will be helpful to you in the preparation of your final report.

If you need additional information, please call me at (617) 727-8146.

Sincerely,

Fred E. Williams
Associate Commissioner
Division of School Facilities
and Related Services

FEW/ld

STATE OF CONNECTICUT
DEPARTMENT OF FINANCE AND CONTROL
PURCHASING DIVISION . TEL. [redacted]
STATE SURPLUS PROPERTY CENTER
P.O.BOX 298 . 60 STATE ST., WETHERSFIELD, CONN. 06109

May 20, 1980

Mr. John Harlan, Team Leader
United States General Accounting Office
Logistics and Communications Division
Washington, D. C. 20548

Dear Mr. Harlan:

This is to confirm our phone conversation of May 19, 1980. My reference is to the Draft Report on the implementation of Public Law 94-519, page 51 of the Draft.

1) *Property in the Connecticut warehouse is segregated by the general commodity group and class.*

2) *Physical count of line items received is taken on all shipments of property to the Connecticut Agency.*

3) *Storage space is limited in the Connecticut Agency warehouse. Because of this small warehouse, we feel that the cost in man hours and clerical personnel would not justify the establishment of a locator system. We feel that the commodity group segregation serves this requirement for such a small operation.*

Thank you for sending me an advance copy of your report for comment.

Sincerely,

Walter J. Golec

Walter J. Golec
Director

WJG/dg

ROBERT A. DAVIS, JR.
EXECUTIVE DIRECTOR

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CHARLES H. UNDERWOOD, JR.

TEXAS SURPLUS PROPERTY AGENCY
ADMINISTRATIVE OFFICE
P.O. BOX 8120 WAINWRIGHT STATION
SAN ANTONIO, TEXAS 78208
2103 ACKERMAN ROAD - TELEPHONE 661-2381

May 29, 1980

Mr. R. W. Gutmann, Director
Logistics & Training Division
General Accounting Office
Washington, D. C. 20548

Dear Mr. Gutmann:

We appreciate the opportunity to comment on the draft report on Public Law 94-519 relating to the audit work performed by the General Accounting Office at this Agency.

On Page 44 of the Draft Report, it is stated that no external audits had been completed for the States in Region 7. The Texas Surplus Property Agency is audited annually by State auditors. This audit is quite extensive, performed by two and sometimes three auditors and lasting six to eight weeks. The 1978 audit cost to our Agency was $8,825.17. Also on this page, it is stated that a GSA review of the Texas and Oklahoma Agencies indicated that donated military jeeps had been improperly used by donees. The Texas Agency acquired no M-151 Jeeps and therefore could not have had any improper use of them by our donees.

The Draft Report lists examples of property that the GAO auditors believed were being used improperly, and the following is the action taken by this Agency to correct these discrepancies:

- THE DIXIE VOLUNTEER FIRE DEPARTMENT - Although these items had been sent to a fireman's home for repair, the Texas Agency had both items returned for redonation.

- COMMUNITY ACTION CORPORATION OF WICHITA FALLS - These refrigerators have been repaired by the donee and if they are not placed in use within one (1) year, the donee will return them to our distribution center.

- **THE MUSEUM OF FINE ARTS, HOUSTON** - Both items now in use at the museum.

- **CITY OF BROWNFIELD** - The crane is in use by the City, primarily used for lifting and installing transformers for lighting and power.

- **ANTON INDEPENDENT SCHOOL DISTRICT** - The Agency required the donee to return the "all terrain" vehicle for donation to another donee.

- **CITY OF BIG SPRING** - The electronic testing equipment was repaired by the local T.V. station. Mr. Bill Berry, City of Big Spring stated that the item was placed in use and has been used for 18 months.

- **LUBBOCK CHRISTIAN COLLEGE** - This donee acquired the item in good faith and when it became apparent to them that the electronic instrument could not be used for their intended purpose, the donee returned the item within three (3) months.

- **WASHINGTON COUNTY** - The crane shovel donated to this Public Agency did not have the transmission or the engine. The donee has made an extensive effort to locate an engine and transmission for this crane. This Agency has also tried to locate these missing, major components for the donee but has not been successful. The donee is returning the crane as soon as a low boy trailer can be arranged for.

- **CITY OF LAMESA** - The two (2) shelter domes acquired by this donee are being used as shelters for gas pumps. We believe this to be a unique use in keeping with spirit of Public Lay 94-519.

- **THE UNIVERSITY OF TEXAS @ EL PASO** - This air compressor allocated to this donee requires a 12 cylinder, 400 H.P. diesel engine in its original configuration, no engine of this size is available that the donee can afford. This Agency is currently looking for a surplus electric motor of this size that could be substituted for the diesel engine. If one cannot be secured, the air compressor will be returned to the State Agency for reallocation or reporting to the GSA for sale.

- EAST TEXAS STATE UNIVERSITY - The necessary parts for repair of the fork lift were finally acquired and the fork lift is now in use.

After thirty (30) months of operation under Public Law 94-519, I am sure that the General Accounting Office and General Services Administration will have certain recommendations for changes in the Law, and I would hope that the National Association of State Agencies for Surplus Property would also have some input for changes that we feel would benefit the program. I believe that additional time is needed for donees to put large machine tools, and large pieces of earth moving equipment into use. Many times, large and expensive components are missing from these items and the donee must correspond with manufacturers all over the county in order to find the needed parts for necessary repairs.

It would also seem logical to require a longer in-use restriction to compensate for the extension of time allowed to place the item in use.

Sincerely yours,

Robert A Davis Jr.
Robert A. Davis, Jr.
Executive Director

RAD:ld

Joseph P. Teasdale
Governor

State of Missouri
OFFICE OF ADMINISTRATION
Jefferson City 65102

State Agency for
Surplus Property
P. O. Drawer 1310

May 22, 1980

R. W. Guttman
U.S. General Accounting Office
Logistics and Communication Division
441 G Street N. W.
Washington, D. C. 20548

Dear Mr. Guttman:

I have received your letter and the draft copy of the report to Congress on Public Law 94-519. I sincerely appreciate the draft copy and very much look forward to receiving the completed report.

I have attached my comments beginning with Chapter 1, and have notated in the left-hand column what page my comments refer to.

Public Law 94-519 required that GAO make a full and independent evaluation of the Law. After reading this draft copy, I must go back to my original comments after my first discussion with GAO auditors. This draft appears to be a negative report. I do not find any information relating to the controls the SASPs utilize, nor do I find any comments in the report that show the benefits and dollar savings that various donees have received through this program. Many places in the draft copy, GAO refers to their opinion or judgment. That is irrelevant. The property is either in compliance with the Law or it is not.

If the final report does not indicate some positive attributes, I, along with several other state directors hopefully, can testify to Congress that this report is biased and negative and does not give a true evaluation of Public Law 94-519.

Sincerely,

E Pash Goodin

E. Pash Goodin
Manager

EPG:vv
Enclosure
cc: Jerry Clementson
    Richard Raley
    George W. Kinney
    Clair Hoffman

Page 39 Insufficient Audit & Review of Donation Program

1978 - GSA Region VI Review
9/79 - State Audit
10/79 - GAO Audit
2/80 - GSA Audit
5/80 - GSA Region VI Review

Insufficient. We don't even have time to put our records away before another audit or review is started. GSA and GAO auditors do not accept information from State auditors or each other. Some donees in Missouri have been investigated by six different auditors within a one year period.

Page 39 Inconsistent and excessive SASP Service Charges:
On all property donated, our service charge has been 2.3% of acquisition cost. State Plan allows for a maximum charge, only on 10% of property have we assessed or exceeded that charge. Is GAO suggesting that the service charge be at the maximum? Inconsistent, condition codes on property, needs, justification, uses, and finances are inconsistent by donees. Our primary function is to serve the donee. State Plan allows for a reduction in service charge; a review of all warehouse issue sheets verifies that total service charge is reduced by 25%. Catalogs and mailers are utilized to encourage visits to warehouse and discounts are given on property.

Page 39 Inadequate SASP Inventory Control Procedures:
One error in judgment does not make the entire control inadequate. Two state audits do not indicate the same findings as GAO. With the exception of the helicopter parts, which were accounted for, all property verified by GAO would be 99% correct.

Page 39 Lack of Improper Utilization by Donees:
Impossible for SASP to check every item; therefore, SASP must develop controls to assure that donees abide by terms and conditions. Listed below are some controls and facts:

1. Certification of terms and conditions signed upon establishing eligibility.
2. Warehouse document sheets have terms and conditions on reverse side and front side states in capital letters "PERSONAL USE OR UNAUTHORIZED DISPOSITION IS A VIOLATION OF FEDERAL LAW".
3. Signs posted in warehouse stating same as 2 above.
4. Mailers to donees stating what they agreed too.
5. Catalogs stating terms and conditions.
6. Written utilization required every six months on aircraft, motor vehicles, or federal property with original acquisition cost over $3,000.

Page 39 (con't.)

7. Personal utilization visit by SASP

8. Utilization checks completed by State Auditor's Office on city, county, and state agencies.

9. Compliance check by General Services Administration's Area Utilization Officer.

10. Since October, 1977, 14 cases of noncompliance have been forwarded to GSA for possible fraud.

11. From October, 1977, to 10-31-79, at either the SASP's or the donee's request, 28,271 items for a total $682,438 in acquisition cost that were in noncompliance have been returned to SASP.

Page 39 & 64 Public Law 94-519 states that the State Plan may be temporary and, therefore, there is not a lack of compliance. This section should be omitted from report.

Page 46 The Missouri State Plan states in Part V - Financing and Service Charge - Section B.1.C. "that service charge will be reasonable with respect to value and condition of each item and related to original government acquisition cost or fair market value."

Direct Pickup - Mo. State Plan states in Part V, Section B.3 the rate for direct pickup will be reduced by 50% or more.

Page 46 Grinding Machine. Part V, Section C, of the Mo. State Plan states assessed service charges may be reduced by Manager based on:

1. Condition of property
2. Desirability of property
3. Assistance rendered by donee

Page 46 Station Wagon transfer
Since October, 1978, the Mo. SASP has donated 15 passenger vehicles, as listed below as to direct pickups or donated from SASP:

	State Ser. #		Service Charge	Original A/C
Direct Pickups	9-1841-1		$25.00	$3,364
	9-0647-1		25.00	3,364
	9-0648-1		25.00	3,205
	9-3061-1		20.00	1,973
	9-1229-1		45.00	1,553
	2091-28		25.00	2,948
		Total	$165.00	$16,407

Average S/C for six vehicles was $27.50
or 1% of original acquisition cost

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XVI Letter dated June 11, 1980, from the Controller, Department of Energy 160 2/F7

XVII Letter dated June 25, 1980, from the Principal Deputy Assistant Secretary of Defense (MRA&L), Department of Defense 162 2/F9

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XX Letter dated May 20, 1980, from the Director, Connecticut State Agency for Federal Surplus Property 175 2/G8

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Donated from SASP

State Ser. #	Service Charge	Original A/C
2703-1	$150.00	$3,364
0-4783-29	100.00	1,969
8-2897-1	325.00	2,900
2353-1	350.00	2,726
1783-1	125.00	1,800
8-1779-6	25.00	25
8-1115-1	100.00	1,641
8-0975-1	7.50	750
4579-1	125.00	1,701
Total	$1,307.50	$16,876

Average S/C for nine vehicles was $145.00, or 7.7% of original A/C. Item 8-1779-6 and item 8-0975 did not have realistic A/C listed on 123s. Cost must be higher if donated from SASP, as only two vehicles may be transported at one time.

Page 47 Welder
Mistake in writing warehouse sheet - donee should have been charged $500. Property was transported by commercial carrier from Texas.

Page 47 Turbo-Charges - Five transferred at no charge to donee for direct screening and pickup, and screening and transportation of SASP property. Four months after property was transferred at $50 each, a service charge of 5% of A/C was placed on property as an incentive for donees to utilize in their training programs.

Page 47 Transfer Cases
SASP Manager has this authority under State Plan, Part V, Section C. The transfer assemblies at $74 and $150 have had credit memos issued to reduce service charge to $50 each.

Page 47 Helicopter Parts
SASP and donee were utilizing donee's warehouse to store helicopter parts. Inventory of these parts was maintained at SASP by SASP personnel. Listings of these parts were mailed to all Missouri aircraft donees and to all state SASPs. The majority of parts were shipped to other SASPs. Mo. SASP had a written agreement with donee. Main points were:

1. Service charge of 1% of A/C to donee
2. Donee screen and transport property from Texarkana, Texas, at donee's expense
3. All parts retransferred would be at 5% of A/C
4. Donee would be credited with 2% of A/C, but credit would not exceed cost of screening or transportation.

Page 47 Shovels
Shovels were obtained in N-1 condition with a fair market value of $17.49 each. Donees were limited to five shovels each.

Page 47 **SASP Manufactured Chairs**

A monthly record of production and cost is maintained, and has been since the beginning of this project in April of 1977. At the end of October, 1979, we had completed 8,548 chairs for an average cost of manufacturing of $18.80 each. At the end of April, 1980, our cost of manufacturing an additional 596 chairs was $19.40 each, an increase of sixty cents each. Components for chairs were received in varying stages of completeness, and the low cost of completing was on the first to be completed. As more chairs are completed, the cost and time on each chair increases. Cost of these chairs from manufacturer range from $100 to $150.

Page 48 **Repaired Typewriters**

From July 1, 1979, to April 30, 1980, the SASP repaired 208 typewriters. Refer to the following chart:

	Total (208)	Average
Total Service Charge	$30,250	145.43
Cost of Reapirs *1	15,131	72.74
Transportation *2	5,720	27.50
Service Charge after expenses	9,399	45.19

*1 includes labor, supplies, and parts only

*2 does not include transportation on typewriters that cannot be repaired.

The average acquisition cost for the last 58 typewriters repaired was $577.21; average service charge prior to special expenses was 7.83% of original A/C. In accordance with State Plan, Part V, attachment 12, the service charge is fair and reasonable, and could be increased to 15% of A/C.

Page 49 **Inventory**

The Mo. SASP does not have a deficiency in its control over inventory nor is it in violation of State Plan. Large quantities of used and new helicopter parts were received. All new parts were assigned an individual inventory control card; 90% of the items had an original A/C of less than $100. Due to the quantity of parts being shipped to other states, and in accordance with State Plan, Part III, Inventory Control, Section C 2 c and d, parts were changed to a group classification. Included in this classification were several quill assemblies, original A/C, $1,176.00, condition N-1. All helicopter parts, with one exception, were located for the GAO auditors.

Page 52 GAO reports that in their judgment it did not appear that it would be put into use. This is not a fact, strictly a belief, Page 52 (con't.) and is not relevant to this report. Many items listed as noncompliance by GAO were in possession of donees less than 12 months but not put into use. Public Law 94-519 allows the donees 12 months to put into use if the property was in the possession of the donee; less than 12 months, they were in compliance with the law.

Page 56 The 67 items or 52% of property examined includes items mentioned in above paragraph. These figures should be changed to reflect those actually in noncompliance.

Twelve items or 32% donated at least a year before GAO visited was still being utilized. GAO should state that the federal time period is 12 months to place into use and then utilize for 12 months, and how much of this property was placed into use immediately and has complied with federal terms and conditions.

Page 56 Linn Technical College
Property being utilized for training purposes as stated by donee.

University of Missouri, Rolla
Purchasing Agent completed utilization report without contacting department head. Utilization report was false and wrong information. Review has been made by SASP and corrective action taken.

Page 57 Miller R-2 School
On August 31, 1979, prior to GAO visit, a noncompliance case was initiated against this school and GSA Region 6 office was notified. State facts with fact, and notify Congress that the SASPs are enforcing compliance when found.

Page 57 School of the Ozarks
Report does not state that utilization reports were being held by Assistant Manager pending disposition of property. Simulators have been sold on GSA sale.

Page 58 Monroe City, Missouri
Fact with fact. GAO did not uncover a case of fraud, but SASP, upon investigation, did and has forwarded to GSA Investigation Department.

Pg. 57 & 58 All cases stated by GAO have either been corrected or are in the process of being corrected.

Linn Technical College

Linn Technical College is a self-supporting vo-tech school, and DeWayne Rakes, Director of the College, would certainly testify before Congress that many vocational subjects taught would not be possible if it were not for the surplus property received through this Agency. Ninety percent of the equipment utilized in both the aviation department and machine shop has been obtained through federal surplus property. Enclosed is a brochure on Surplus Property and Linn Technical College.

State Fair Community College

I agree with GAO's findings that this Vo-Tech College cannibalized five pieces of equipment without approval. Let's look at the overall utilization of property by this college. The machine shop of the College is only one year old. They have obtained 36 pieces of heavy duty equipment for instructional purposes of which one has been returned as it cannot be utilized. The 35 machines that have been repaired and placed into use were received with the total federal original acquisition cost over $330,000. Savings to the College is in excess of one million dollars. This phase of instruction by the College could not have been accomplished without federal surplus property.

These are just two examples of donees that GAO auditors visited. I could easily provide in excess of 3,000 letters from donees stating the benefits and the positive aspects of the federal surplus property donation program.

LOCATIONS VISITED

FEDERAL DEPARTMENTS/AGENCIES

Department of Agriculture:

- Conservation, Research, and Education:
  - Science and Education Administration and its Cooperative Extension Service
  - Forest Service and its Cooperative Forest Fire Control Program

Department of Commerce:

- Economic Development Administration
- Regional Action Planning Commissions:
  - Coastal Plains Regional Commission
  - Four Corners Regional Commission
  - New England Regional Commission
  - Old West Regional Commission
  - Ozarks Regional Commission
  - Pacific Northwest Regional Commission
  - Upper Great Lakes Regional Commission

Department of Defense:

- Department of the Air Force and its Office of Scientific Research
- Department of the Army and its Army Research Office
- Department of the Navy and its Office of Naval Research
- Defense Civil Preparedness Agency (now the Federal Emergency Management Agency)

Defense Logistics Agency:

- Defense Property Disposal Offices:
  - Fort Carson, Colorado
  - Jacksonville, Florida
  - Warner Robins, Georgia
  - Fort Devens, Massachusetts
  - Mechanicsburg, Pennsylvania
  - Corpus Christi, Texas
  - San Antonio, Texas
  - Texarkana, Texas
  - Hill Air Force Base, Utah
  - Tooele Army Depot, Utah
  - Fort Belvoir, Virginia

Department of Energy

Department of Health, Education, and Welfare (now the Department of Health and Human Services):

- Public Health Service and its Health Services Administration

Department of the Interior:

- United States Fish and Wildlife Service
- Bureau of Indian Affairs

Department of Justice:

- Law Enforcement Assistance Administration

Department of Labor:

- Employment and Training Administration

ACTION

Community Services Administration

Environmental Protection Agency

General Services Administration:

- Public Building Service
- Federal Property Resources Service:

Central Office, Crystal City, Virginia
Region 1, Boston, Massachusetts
Region 4, Atlanta, Georgia
Region 7, Fort Worth, Texas
Region 8, Denver, Colorado

International Development Cooperation Agency:

Agency for International Development,
Washington, D.C., and New Cumberland,
Pennsylvania

National Aeronautics and Space Administration

National Science Foundation

Veterans Administration

STATE AGENCIES FOR SURPLUS PROPERTY

Colorado Surplus Property Agency
Connecticut State Agency for Surplus Property
Florida Division of Surplus Property
Georgia Agency for Federal Property Assistance
Maine State Agency for Surplus Property
Massachusetts State Agency for Surplus Property
Missouri State Agency for Surplus Property
Montana State Agency for Surplus Property
Texas Surplus Property Agency
Utah State Agency for Surplus Property
Numerous donees, grantees, and former section 514 Regional Action Planning Commission recipients in the States we visited.

FOREIGN NATIONS

Bolivia
Cameroon
Dominican Republic
Egypt
Guatemala
Honduras
Kenya
Liberia
Panama

Peru
the Philippines
Thailand
Zaire

Headquarters of 14 voluntary agencies located in Washington, D.C., and New York City, New York.

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